

# THE POWER OF ZERO

BANK OF CEYLON | ANNUAL REPORT 2016



## *Our Vision*

Bankers to the Nation

## *Our Mission*

### **Customers**

Foster mutually rewarding customer relationships with all our customers, exceeding their expectations.

### **Staff**

Give all our staff the recognition and rewards to be the best team of achievers in service excellence.

### **Owners**

Be a profitable catalyst for equitable development covering urban and rural areas.

### **Society**

Provide world-class banking services across the nation as a beacon for progress and growth.



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<http://boc2016.annualreports.lk>

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**1**  
No. Bank  
in Sri Lanka



Ten subsidiaries



Over hundred  
'Smart Zones'



Over thousand school  
savings units  
'BoC School *Sansadha*'



Over ten thousand  
'BoC Abhimana'  
pension schemes



Over hundred thousand  
'SmartGen' Accounts



Processing over one  
million customer  
transactions per day



A customer base  
of over ten million



Over LKR hundred million  
contributed towards  
CSR during 2016



One billion USD raised  
through USD  
international bonds



Contribution to the  
Government in excess  
of LKR ten billion



Over LKR hundred  
billion in loans  
to SOEs



Over LKR one trillion  
assets, deposits  
and loans and advances

# THE POWER OF ZERO

The Bank of Ceylon is the first ever 'multi trillion achiever' in Sri Lanka; with total assets, deposits and loans and advances, all exceeding rupees one trillion each.

The achievement of all these landmarks has really all been about the gradual building of strength, bit by bit, step by step... a trillion would be nothing if not for the twelve zeros that follow the numeral 1! These 'zeros' signify the building blocks, the 'bit by bits' and the 'step by steps' that characterise the enterprise that is the BoC.

Sometimes these 'zeros' have been achieved in numbers, as in large scale projects; often they have come singly as reflected by each and every citizen we have had the privilege to serve... in whichever form they come, a trillion is not complete until all twelve zeros line up!

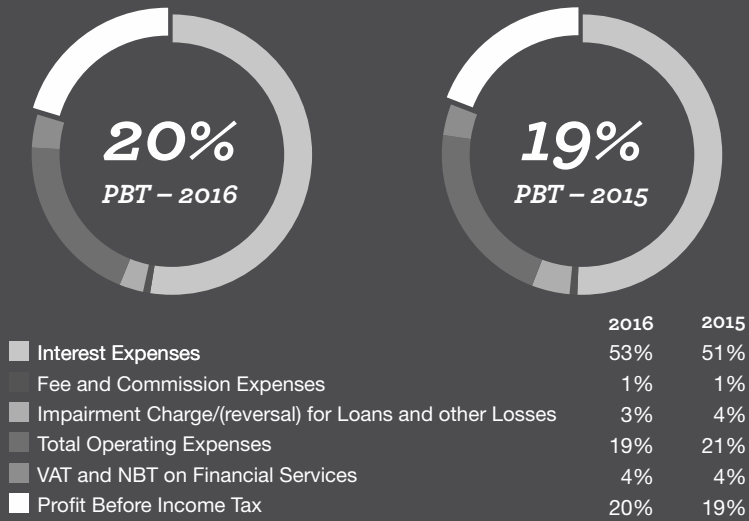
The importance of the zero cannot be overstated!



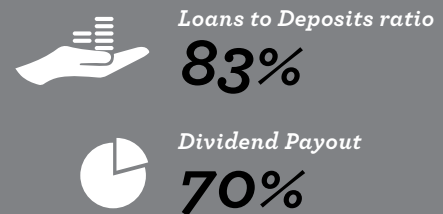
# Highlights

## Financial Highlights

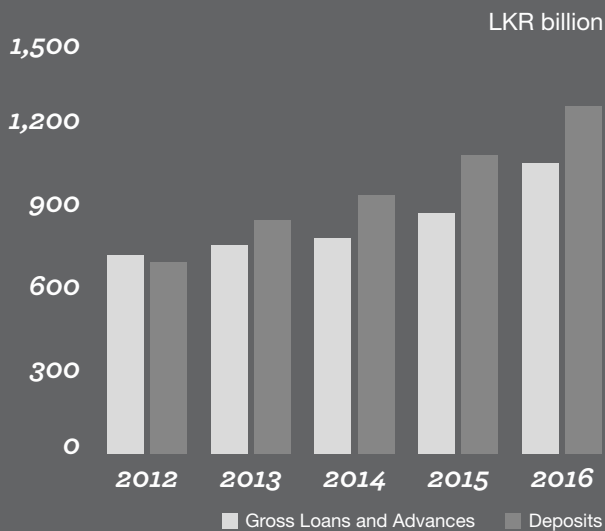
### Profit Before Tax as a % of Total Income LKR 31.2 billion – PBT 2016



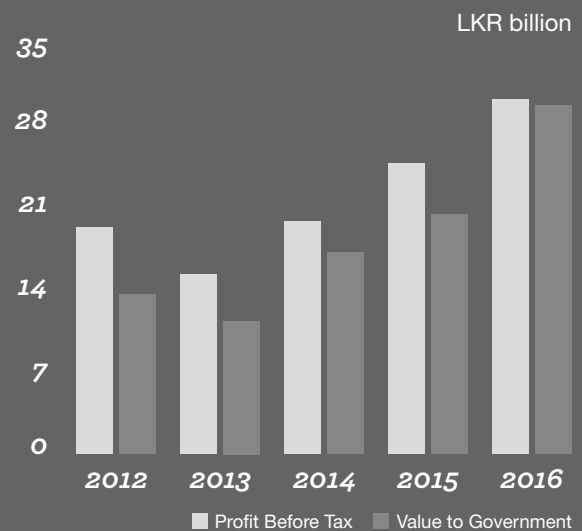
### Total Assets LKR 1.7 trillion



### Advances and Deposits



### Profit Before Tax and Value to the Government



Total gross loans and advances

Total deposits

Return on average equity

Total capital adequacy

LKR 1.0 trillion

LKR 1.3 trillion

28.4%

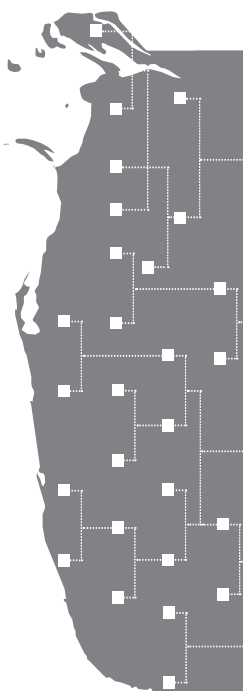
12.3%




| As at 31 December                                                | Bank      |           |          | Group     |           |          |
|------------------------------------------------------------------|-----------|-----------|----------|-----------|-----------|----------|
|                                                                  | 2016      | 2015      | Change % | 2016      | 2015      | Change % |
| <b>Results of Operations (LKR million)</b>                       |           |           |          |           |           |          |
| Total income                                                     | 154,121   | 131,502   | 17.2     | 159,701   | 137,984   | 15.7     |
| Net interest income                                              | 53,957    | 46,326    | 16.5     | 56,606    | 48,702    | 16.2     |
| Profit before financial VAT, NBT and tax                         | 37,454    | 30,095    | 24.5     | 36,431    | 30,256    | 20.4     |
| Profit before tax                                                | 31,189    | 25,279    | 23.4     | 30,117    | 25,477    | 18.2     |
| Profit after tax                                                 | 24,791    | 17,357    | 42.8     | 23,386    | 17,387    | 34.5     |
| Value to the Government                                          | 30,064    | 21,129    | 42.3     | 30,554    | 21,594    | 41.5     |
| <b>Financial Position (LKR million)</b>                          |           |           |          |           |           |          |
| Total assets                                                     | 1,669,291 | 1,568,289 | 6.4      | 1,716,557 | 1,610,199 | 6.6      |
| Gross loans and advances                                         | 1,047,190 | 869,316   | 20.5     | 1,075,952 | 895,939   | 20.1     |
| Loans and advances net of provisioning for impairment            | 1,000,083 | 826,790   | 21.5     | 1,027,768 | 851,905   | 20.6     |
| Customer deposits                                                | 1,256,589 | 1,082,337 | 16.1     | 1,273,631 | 1,097,951 | 16.0     |
| Total liabilities                                                | 1,576,442 | 1,486,804 | 6.0      | 1,613,202 | 1,517,125 | 6.3      |
| Total equity                                                     | 92,850    | 81,485    | 13.9     | 103,355   | 93,074    | 11.0     |
| <b>Per Share Data (LKR)</b>                                      |           |           |          |           |           |          |
| Basic earnings per share                                         | 2,479     | 2,437     | 1.7      | 2,350     | 2,439     | (3.7)    |
| Net assets value per share                                       | 9,285     | 8,148     | 13.9     | 10,248    | 9,206     | 11.3     |
| <b>Performance Ratios (%)</b>                                    |           |           |          |           |           |          |
| Return on average assets                                         | 1.9       | 1.7       | 0.2      | 1.8       | 1.7       | 0.1      |
| Return on average equity                                         | 28.4      | 22.2      | 6.2      | 23.8      | 19.5      | 4.3      |
| Interest margin                                                  | 3.3       | 3.3       | 0.0      | 3.4       | 3.4       | 0.0      |
| Cost to income                                                   | 43.0      | 44.7      | (1.7)    | 46.7      | 47.4      | (0.7)    |
| Loans to deposits                                                | 83.3      | 80.3      | 3.0      | 84.5      | 81.6      | 2.9      |
| Debt to equity                                                   | 124.5     | 228.2     | (103.7)  | -         | -         | -        |
| Impairment provision as a percentage of gross loans and advances | 4.5       | 4.9       | (0.4)    | 4.5       | 4.9       | (0.4)    |
| <b>Statutory Ratios (%)</b>                                      |           |           |          |           |           |          |
| Liquid assets ratio (Domestic) (minimum requirement 20%)         | 21.6      | 28.2      | (6.6)    | -         | -         | -        |
| Core capital adequacy ratio (minimum requirement 5%)             | 8.7       | 9.1       | (0.4)    | 8.8       | 9.4       | (0.6)    |
| Total capital adequacy ratio (minimum requirement 10%)           | 12.3      | 13.1      | (0.8)    | 12.5      | 13.3      | (0.8)    |

# Non-Financial Highlights

## Manufactured Capital

Investment of **LKR 858.5 million** on systems development and process improvement



|                                                                                   |                                                                                   |                                                                                   |
|-----------------------------------------------------------------------------------|-----------------------------------------------------------------------------------|-----------------------------------------------------------------------------------|
|  |  |  |
| <b>580</b><br>Branches                                                            | <b>678</b><br>ATMs                                                                | <b>123</b><br>CDMs                                                                |

**100+ Smart Zones**

## Intellectual Capital

**LKR 41.4 billion**  
Brand value





**No. 1 brand in the country for the 8th consecutive year**


**Among the top 1000 Banks in the world**

## Social and Relationship Capital


**LKR 134.4 million** disbursed for sustainability initiatives




**More than 10** new products and services launched




**71,673** new customers enrolled for Internet Banking



'SmartGen' accounts crossed the **100,000** mark








**LKR 17.3 billion** as dividends to the Government





## Human Capital

**7,569**  
Total number of employees



|                                                                                     |                                                                                      |                                                                                       |                                                                                       |
|-------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|
|  |  |  |  |
| <b>1,139</b><br>Employee training programmes                                        | <b>LKR 298.8 million</b><br>Total investment for training                            | <b>729</b><br>Employee promotions                                                     | <b>91</b><br>New recruitments                                                         |

## Natural Capital

|                                                                                     |                                                                                      |                                                                                       |                                                                                       |
|-------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|
|  |  |  |  |
| <b>1,000</b><br>Trees planted                                                       | <b>95,272 Kg</b><br>Waste paper recycled                                             | <b>Launched</b><br>eStatements                                                        | <b>Two branches</b><br>solar powered –<br>Kilinochchi and<br>Tissamaharama            |

# The Integrated Reporting Framework

An integrated report is intended to be a concise communication as to how a company creates value for itself and its stakeholders in the short, medium and long term. It should describe what the company does, its business model and strategies, its opportunities, risks and governance.

Public sector organisations, which include utilities, banks and industries, are in many countries the largest reporting entities. Since such organisations utilise public funds there have been increasing demands worldwide for them to demonstrate that they have been using their resources effectively and efficiently. Furthermore, today concerns about public sector organisations’

impact transcend narrow economic considerations. They are also expected to deliver their services in a socially and environmentally sustainable manner.

The key stakeholders of public sector enterprises include the Government, regulatory authorities, private enterprises from the largest to the smallest and the general public. The fact that enterprises are publicly-owned makes keeping the trust and confidence of stakeholders all the more important.

Integrated reporting in public sector organisations plays a supporting role in promoting sustainable development and financial stability which are major public concerns.

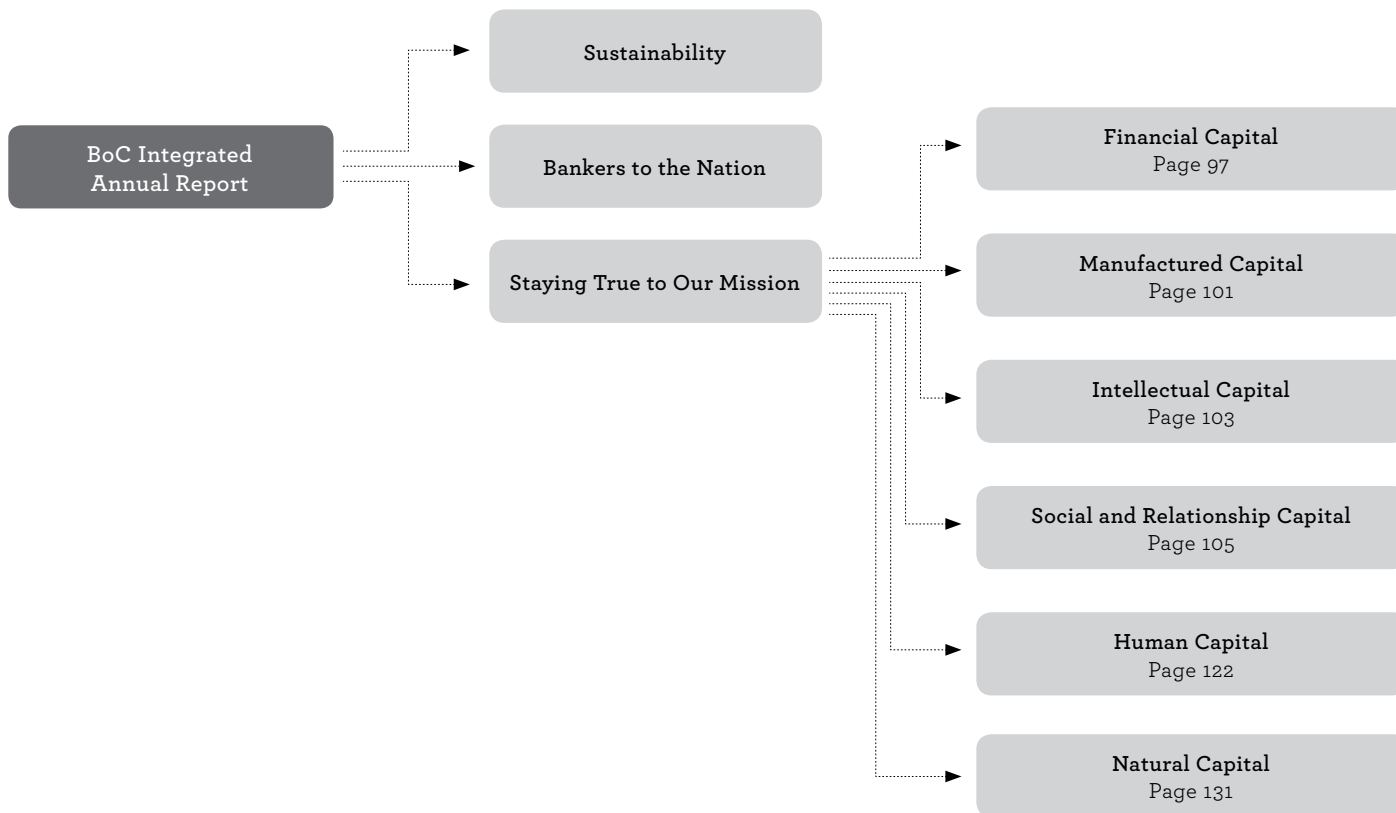
There has been widespread public skepticism about the commitment of public sector enterprises to sustainability, which the sector needs to overcome. Since state-owned organisations provide essential services such as power, water and finance to private enterprises, the efficient and transparent governance of such organisations is a major concern for the private sector too.

Since the Bank of Ceylon is the largest financial institution in the country it plays a vital role in the economy of the country. In recent times, there has been great public awareness regarding transparency and good governance in Sri Lanka. In this context, the Bank wishes to reassure its stakeholders that it is safeguarding the public interest.

The topics that this integrated report of the Bank captures are shown in the diagram below:



The capitals as defined in the International Integrated Reporting Framework and shown in the diagram below are covered in the report. However, some of the capitals may be described in the report under different headings.



In preparing this report, we have drawn on the following where applicable: Global Reporting Initiative Sustainability Reporting Guidelines GRI G4 (2013) [www.globalreporting.org], the International Integrated Reporting Framework (2013) [www.theiirc.org] and A Preparer’s Guide to Integrated Corporate Reporting of The Institute of Chartered Accountants of Sri Lanka.

In this report, performance and operations of the entire Group, covering Sri Lanka, India, Maldives, Seychelles and the United Kingdom vis a vis branch offices and subsidiaries are detailed. However, the larger amount of information relates to the Bank of Ceylon, which is the holding entity, as it is the BoC that contributes the most to the profitability of the Group.

Our reporting focuses on aspects that are material or important, based on the extent to which they may substantively affect the ability of the Bank to create value over the short, medium or long term. The materiality determination process is discussed under pages 330 to 331.

The Bank’s Annual Report 2016 covers the 12-month period from 1 January 2016 to 31 December 2016 and is consistent with our usual annual reporting cycle for financial and integrated reporting. The most recent previous report was dated 31 December 2015.

There have been no significant changes during the Reporting period regarding size or ownership.

The Bank applies a precautionary principle across the Group with regard to social and environmental sustainability. Before embarking on new ventures and initiatives we take necessary steps to assess any impacts through adequate risk management processes, which are discussed on pages 78 to 92.

There have been no restatements of information provided in the previous reports, other than changes in comparative information in order to conform to current year’s presentation explained under Note 59 of the Financial Statements. There have also been no significant changes from previous reporting periods in the scope and aspect boundaries.



# Sustainability



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**Committing Our 'Numbers' to Sustainability 26**


Sustainable value  
creation is what  
we pursue each day;  
not just for ourselves  
but for every man,  
woman and child  
of the nation.

Pursuit begins with  
well-founded strategy  
and meticulous planning.  
Our goal – sustainability  
and development for all.





## The Plan Behind the Numbers Chairman's Message



**Every cipher, however insignificant, is a vital component of the whole, making it into trillions. It indicates that we have truly delivered and derived great value to and from our stakeholders, exceeding their expectations, in the true spirit of being 'Bankers to the Nation'. However, our contribution to the economy and the stature that we have built up cannot be expressed in numbers alone.**

It is with immense pleasure that I present this report for 2016, in which Bank of Ceylon achieved the significant milestone of the 'triple trillion'. It has been a year of exceptional achievement during which, we reached our target of rupees one trillion in loans and advances, becoming the first bank in Sri Lanka to achieve the prestigious landmark. Having crossed the trillion rupees milestone for total assets and deposits in the previous years, our untiring team effort enabled us to reach rupees one trillion in advances in 2016, completing the 'triple trillion'. This achievement was no easy task – it was the result of well planned out strategies and meticulous execution. I sincerely appreciate the efforts put in by my fellow Board members to form the strategies, the perseverance of the corporate management team and the co-operation given by the entire staff of BoC in reaching this significant milestone. It was, indeed, a great team effort by all concerned. Our process of strategising left nothing to chance; we studied the macro environment and the internal strengths and weaknesses in detail and conducted sensitivity analysis coupled with strengthened risk management. Throughout this journey, we have remained focused on touching and improving the lives of people from all walks of life across the country. I believe that taking our enterprise as well as achievements together, we have reaffirmed BoC's No. 1 position amongst banks in Sri Lanka.

The Bank was incorporated in 1939, mainly to serve the financial requirements of the local business community. Over the many decades since, our scope and ambit widened to encompass the broadest of stakeholders – from the State and the blue chip, large scale entrepreneur through the medium and small scale entrepreneur to the senior citizen, the youth, women, students, expatriate workers and the man on the street from town to grass roots. Today, through a network of over 650 service outlets, we provide premium banking solutions to the people of Sri Lanka,

12 million of whom are our valued customers. In like vein, our overseas branch network and subsidiaries serve the Sri Lankan community overseas including our expatriate workers, who also benefit through our extensive network of correspondent banking relationships.

While we are a commercial organisation, as a state bank, we remain committed to implementing the policy directives of the Government. For example, banking the hitherto unbanked sectors and lending to disadvantaged sections of society. This, in turn, helps us in our efforts in promoting financial inclusion.

### **Demonstrating Financial Stability and Resilience**

The year in review largely reflected political stability in the country. Improved fiscal and monetary policies gave us a stable policy framework, within which, to formulate our strategies. Through the year, the Central Bank of Sri Lanka (CBSL) tightened monetary policy, which led to restricted credit growth. Market liquidity was adversely affected and competition among banks in terms of raising deposits was very high. However, BoC was able to overcome these challenges and continued to forge ahead.

The financial strength of BoC, evident in our Balance Sheet and demonstrated by key performance indicators, is augmented by our state ownership, which engenders significant levels of confidence amongst the public. The resultant confidence factor and financial stability is reflected in our credit rating of AA+ (Ika) stable outlook, making us the highest rated commercial bank in the industry.

### **Our Focus during the Year**

During 2016, the Bank's strategic focus was directed towards improving technology, as well as product offering, whilst building up system capabilities to

strengthen internal controls.

These measures will, from a product offering perspective for instance, allow us to offer a range of products relevant and appealing to the younger generation and from a management information perspective, help in meeting the prudential regulatory requirements.

Enhancing customer service at branch level was yet another strategic imperative during the year. Given the high level of competition that exists in the industry today, with many players offering similar products, superior customer service can deliver a competitive advantage to the Bank and provide an edge over competition to create and retain loyal customers. Hence, we emphasise on providing a superior customer service at all levels. Our aim is to ensure that every customer who walks into a BoC branch, walks out happy and contented. Customer facing staff has been provided with extensive training in this regard.

As has been our ethos from the inception, intensity of competition does not compromise the Bank's values in relation to ethics and governance. The Bank maintains the highest professional standards and a culture of compliance and transparency.

### **Our Strength, Our Team**

Our team, the people who constitute the Institution's workforce, is our most valuable asset. Our permanent workforce, numbering 7,569 in total, 64% of whom are below 35 years of age, are the Brand Ambassadors of BoC. They propel enterprise, give wings to strategy and are our interface with customers. Our human resources policy covers their continuous training and development, providing them local and international training, in order to develop their skills and knowledge and building up the next level of succession. Automation in the area of HR management was another key priority during the year, which improved and streamlined our HRM processes.

Our remuneration packages and staff benefits remain competitive and we have taken many initiatives to ensure the work-life balance of staff members. The efforts we have put in are reflected in winning the Best Employer award. Our employee relationships, including the rapport with Trade Unions are cordial and harmonious.

## **Our Vision for 2017 and Beyond**

We will continue to hold true to our reputation as 'Bankers to the Nation' by being the premium financial service provider to the country and its people.

We have been the market leader for remittances with a share of 43.5% of the market and a growth rate of 15% which was above the industry average. We will continue to focus on maintaining the market leadership in relation to remittances from expatriate workers, introducing innovative incentives such as the 'Triple Vasi' gift scheme.

Our aim is to continuously innovate to offer technologically advanced product offerings and expand our reach through digital channels so as to remain ahead of competition and next generation friendly. Approximately 30% of the country's population falls into 25-40 years age group, requiring us to increase our technology-based products and channels, which we are prepared to meet with our young and dynamic staff.

With our commitment to enhancing sustainability, we will continue our drive towards green banking initiatives, whilst supporting specific projects that have the welfare of the environment at heart.

## **Appreciation**

I wish to extend my sincere thanks to my fellow Board members for their professionalism and unstinted co-operation in directing this great Institution. A special word of thanks

to the General Manager and the management team for their enthusiastic commitment and dedication. I record with deep gratitude and thanks, the confidence and support reposed in the Bank and its management by the Government of Sri Lanka. A special word of thanks to the Ministers and staff of the Ministry of Finance and the Ministry of Public Enterprise Development for their direction and guidance.

A note of appreciation to the Governor and staff of CBSL for their guidance given on the governance of the Bank; to the Auditor General and his staff for expressing their opinion on the Financial Statements included in this report.

A special word of thanks to our loyal customers, for the opportunity given to serve them and for their loyalty. Achievements of this magnitude would not have been feasible if not for the dynamism and commitment exhibited by the entire staff of the Bank. My sincere appreciation to the team and the Trade Unions for their cooperation and support.

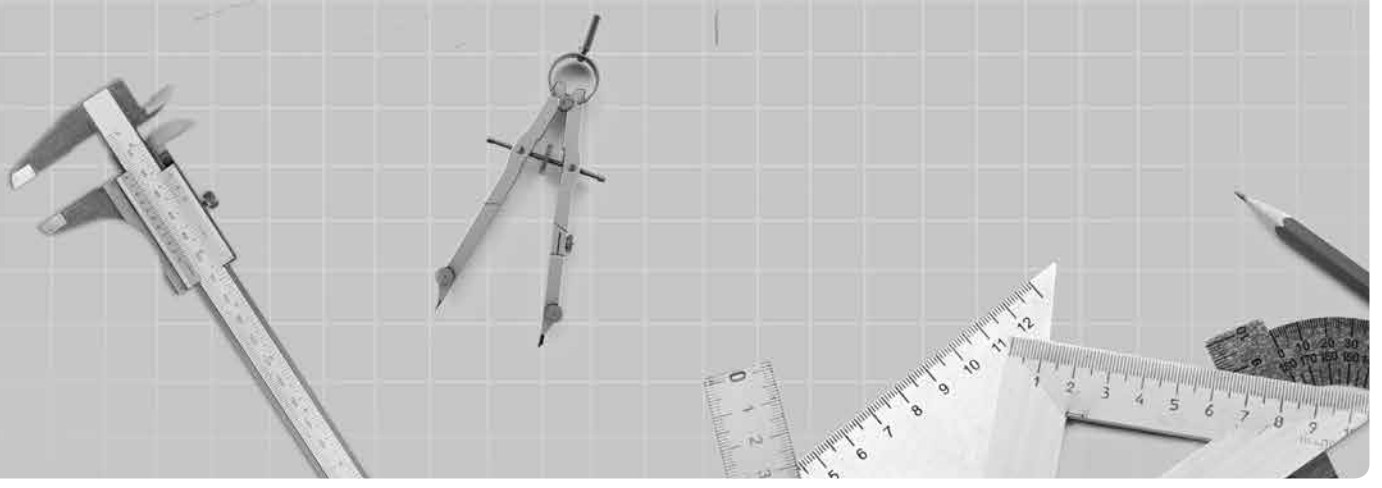
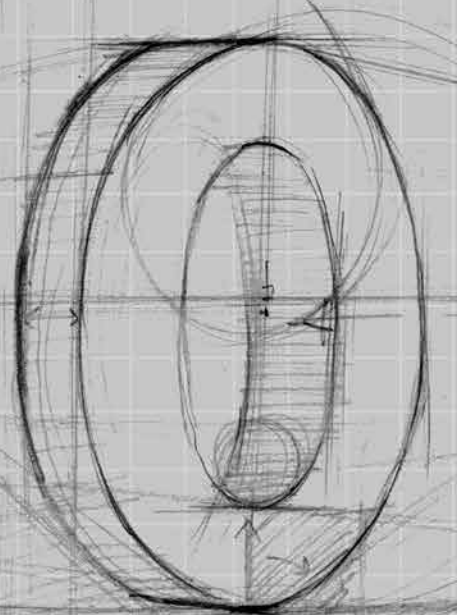
I also wish to thank all our other stakeholders for their contribution to the success of the Bank.

I am fully confident that, BoC will achieve even greater heights in the coming years.




**Ronald C Perera PC**  
*Chairman*

29 March 2017  
Colombo



## General Manager's Review



**Over our history of 77 years, we have evolved to be a pillar of strength in the Banking industry, dynamically adapting to ride the waves of the changing environment and to meet the diverse financial requirements of our wide range of customers; strategically exploiting the opportunities afforded by technology whilst upholding the highest standards of ethics and governance in all areas of operations and maintaining our undisputed leadership in the industry.**



Year 2016, saw us achieving great heights and reaping the benefits of the changes that we initiated in the previous years. The achievement of the 'triple trillion' in total assets, deposits and loans was no ordinary feat but the result of meticulous strategies executed with precision.

## **Adapting to the External Environment**

Today, technology and innovation are changing the face of banking globally. We responded to the rapidly changing global environment, making maximum use of technology in our product offering and meeting the changing customer expectations. Adopting a technology driven approach, we modernised our branches, creating a more customer-friendly environment and making our products and services more tech savvy. At the same time, we continued to develop our human resources to derive the maximum value from these changes.

In line with the market developments, we also focused on strengthening IT security and controls. With increased regulatory focus on capital adequacy, the management also took steps to align the Bank's corporate strategy and risk management policies to the Internal Capital Adequacy Assessment Process (ICAAP), thus building up our resilience and a capital buffer to meet any catastrophic events that may occur.

## **Playing a Major Role in the Economy**

Our operating model has been one of low margin – high volume, which is retail banking intensive. Our forte has been extending banking services to all sectors of people throughout the country and uplifting their livelihoods, not only through being their banker, but also partnering their lives. This business model has served us well and we intend to continue this.

As a state bank, the role of BoC is twofold; to operate as an economically viable commercial venture whilst contributing to the development objectives of the Government. The largest branch network gives us the best possible reach, serving a wider network of customers, taking banking to the grassroot levels and enabling financial inclusion. We not only receive the savings from the remote and rural sectors, but we also lend back to the same areas. During the year, we have concentrated on increasing the credit to deposit ratio in these areas focusing on development of SMEs, exports and encouraging new entrepreneurial talent in the youth and women. Thereby, we ensure that development is not concentrated around Colombo but spread across all areas of the country.

The year under review saw a significant decline in the Bank's lending exposure to the Government and the state sector and a corresponding increase in private sector credit.

## **Continuing Our Product Dominance**

Our comprehensive range of products cater to all segments of society and meet the banking needs of a vast array of enterprises from the blue chip companies, manufacturers and exporters to the small scale businesses and individuals.

The '*Swa Shakthi*' loan scheme, especially designed to lend a helping hand to the small scale entrepreneurs, carrying a concessionary rate of interest, has seen a vast number of small businesses flourish.

BoC continued to be the market leader for remittances, with 43.5% of Sri Lanka's remittances being channelled through us. We also improved our offering of remittances based products to these customers, adding value to their hard earned savings.

With the continued rise in value of residential properties, our drive to make BoC the most preferred Bank for obtaining home loans continued. Measures were taken to streamline the documentation process and the loan approval process for greater customer convenience.

While expanding the largest network of ATMs, we also introduced Cash Deposit Machines at many locations to make a wider array of banking services available to customers 24x365. Our products and channels such as 'SmartGen' and 'SmartZone', targeted mainly at the younger generation, have gained popularity. The BoC Mobile App will be introduced in the near future enhancing customer convenience.

## **Towards a Leaner Structure to be Nimble**

The management concentrated on increasing the cost efficiencies of operations. At 43%, our cost to income ratio has improved over the past years and is on par with the industry average. Many initiatives have been implemented during the year to bring down the costs in a structured manner.

The organisational structure has been revised to make it more open and empowering the employees to expedite the decision-making process and be competitive with private banks.

## **Setting Exemplary Governance Standards**

Whilst growing our business, we have not lost track of the criticality of systems, processes, internal controls and risk management. The revised corporate plan explicitly addresses how we plan to strengthen our governance, control environment and compliance culture. Significant investments are being made in technological solutions to enable compliance with new regulations such

as Basel III capital requirements, liquidity buffers and leverage ratio. Conformity with anti-money laundering legislation and terrorism financing regulations has also been strengthened through a risk based approach.

## **Towards Sustainable Banking**

In our quest to pursue higher goals, we did not forget our responsibility towards ensuring sustainability. The 'green banking' concept encompasses the environmentally-friendly steps that we have taken, including encouraging customers to subscribe to e-Statements, supporting solar power lighting and organic farming to name a few.

## **Our Dynamic Workforce**

64% of our workforce is below the age of 35 years which gives our organisation youthful dynamism. Their receptiveness towards embracing new technology facilitates our objective of offering innovative products for the new generation. They will be provided with training and development opportunities in line with the Human Resource Plan, including the succession plan and grooming of next generation leaders. As such, talent management is a critical component in our corporate plan.

Winning the 'Best Employer' Award in 2016 was a significant milestone and ample recognition for our HRM practices and efforts in proving a quality work-life balance for all staff, our most valuable resource.

## **Our Vision for 2017 and Beyond**

Through our corporate plan for 2017 through 2019, we have identified the new business trends and devised our action plan to meet the challenges. Investing in technology and exceptional customer service will continue to be key priorities.

Our next major milestone is to achieve total assets of Rupees two trillion by 2019. We are confident of achieving this challenging target given the capabilities that we possess as a team and our unwavering commitment to soaring high. We also aim to maintain the leadership status in channelling inward remittances from overseas. Increasing our overseas presence and off-shore banking activities are also envisaged.

## **A Word of Thanks**

My sincere appreciation goes out to the Chairman and the Board of Directors for their business acumen and invaluable guidance; to our staff for their dedication and perseverance, our esteemed customers for the confidence and trust they have placed in our Bank and the opportunity to serve them. We also deeply value the insights and direction provided by the banking sector regulators and all other stakeholders for their support and encouragement. My appreciation goes out to the Minister and the staff of the Ministry of Public Enterprise Development as well as the Minister and the staff of the Ministry of Finance, for their direction and support. Our gratitude to the Auditor General and his staff for their professionalism in timely execution of the audit. Last but not least, I wish to place on record the co-operation extended by the Trade Unions of the Bank throughout the year.

Given the dynamism in our team and their dedicated efforts, I am confident that BoC will continue to forge ahead as a force to be reckoned within the financial sector.



**D M Gunasekara**  
*General Manager*

29 March 2017  
Colombo

# Creating Value Beyond the Numbers

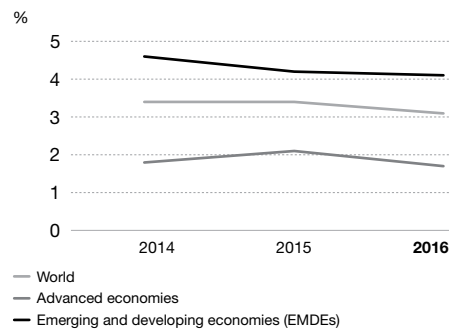
## Economic Outlook

During the year, the global economy saw a growth of 3.1% – a moderately satisfactory performance. Advanced economies performed better than expected with the United States achieving near full employment by the end of the second half of 2016. The European Union did not see much growth during the year, with the exception of the United Kingdom in the aftermath of the Brexit vote. China, although initial outlook feared a slowdown, performed better than expected.

### Global Economy at a Glance

The global economy achieved a moderately satisfactory performance in 2016 with an estimated growth of 3.1%, albeit one that showed much variation between regions. The advanced economies did somewhat better than expected, with the US especially achieving near full employment by the end of the year. However, the European Union as a whole did not do too well, though one exception was the UK economy in the aftermath of the Brexit vote.

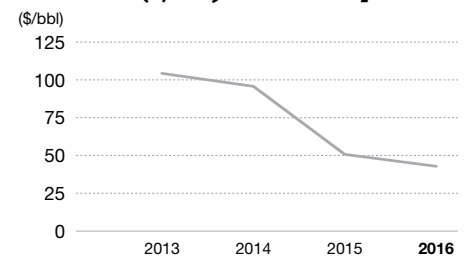
**Real GDP Growth Rates**



Though there were initially fears of a slowdown in China, the country performed better than expected. However there are still uncertainties surrounding addressing the problems of corporate debt and imposing budgetary constraints on the state-owned enterprises. The Russian economy also received a boost from higher and more stable oil prices. A modest recovery of 3.1% is expected for East and North Africa with oil importers registering stronger gains. India's economy has continued to grow benefiting from the large improvement in terms of trade, implementation of key structural reforms and reduction of supply side constraints. A real GDP growth of 2.7% is expected for 2017. However, expectations may have to be toned down in view of the cash shortages and the recent currency note withdrawal.

With the recovery in commodity prices headline inflation rates picked up in advanced economies and in China. Real and nominal interest rates showed an upward trend after August 2016. In the same period the US dollar appreciated against key currencies. The Brexit vote caused wide fluctuations in the British pound, while the Euro and the Japanese yen have weakened.

**Crude Oil (\$/bbl) – Nominal price**



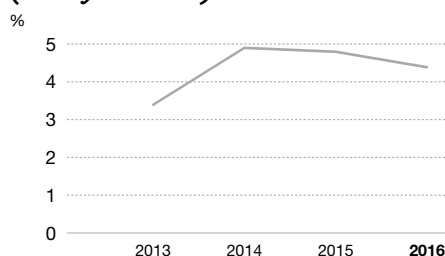
Looking at the prospects for 2017, there is cautious optimism about increased growth in advanced as well as emerging economies. There is however much uncertainty regarding the policies of the new administration in the US particularly regarding trade.

Conditions in the Sri Lankan economy remained dampened with GDP growth dropping to 4.4% in 2016 as against the growth of 4.8% achieved in 2015. Despite some upward pressures due to adverse weather and Government tax policy inflation was moderate during the year. The balance of payments recorded a surplus compared with a deficit in the previous year. Gross official reserves as at end 2016 stood at USD 6.4 billion amounting to an average of 3.1 months imports of goods and services.

### The Sri Lankan Economy

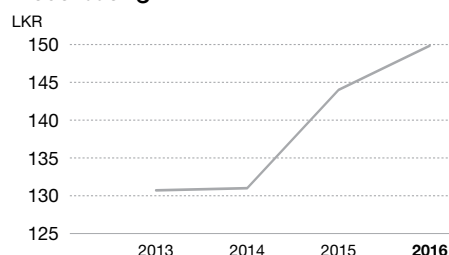
The performance of the Sri Lankan economy was somewhat dampened during the year, with a growth of only 4.4% for 2016 as against an annual growth of 4.8% in 2015. The agricultural sector suffered a contraction in the first part of the year; however the industrial and service sectors grew by 6.7% and 4.2% respectively. Despite some upward pressures due to adverse weather and Government tax policy inflation was moderate during the year. Inflation on an average annual basis was 4.0% in December 2016. Overseas workers' remittances recorded an increase of 3.7% over the previous year. Tourism continued to perform well as it did in the previous year.

**Sri Lanka – GDP Growth Rate (Base year 2010)**



The Balance of payments recorded a lower deficit of USD 500 million for 2016 compared with a deficit in the previous year of USD 1,489 million. Gross official reserves as at end 2016 stood at USD 6.4 billion amounting to an average of 3.1 months imports of goods and services. Total foreign assets stood at USD 8.4 billion at end 2016, which was equivalent to 5.2 months of imports of goods and 4.3 months of imports of goods and services. The rupee slid by 3.8% against the US dollar during the year while it appreciated by 17% against the British pound as a result of the depreciation of the pound against the US dollar.

**LKR USD Exchange Rates – December 31**

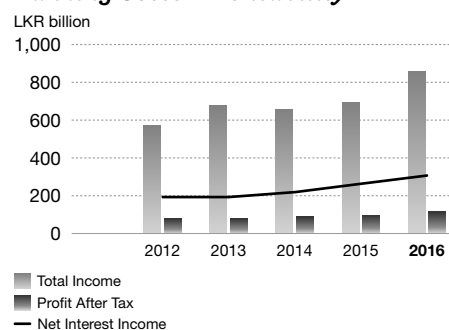


A growth rate of 6.3% is expected for 2017 bolstered by growth in the areas of tourism, financial services, transport, telecommunication and ports. Growth is expected to be driven by the proposed special economic zone in Hambantota, the Colombo International Financial City and the Megapolis in the Western Province.

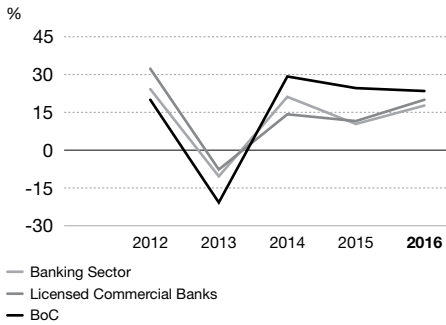
### The Banking Sector

The Sri Lankan banking sector, which consists of 32 licensed banks, performed well during the year with total assets of LKR 9 trillion. The sector also recorded over LKR 700 billion in capital funds, over LKR 2.3 trillion in total investments and over LKR 100 billion in profits. The profits of the sector showed an increase over the previous year by 17.4%. This was driven mainly by an increase of net interest income through expansion of lending.

**Banking Sector Profitability**

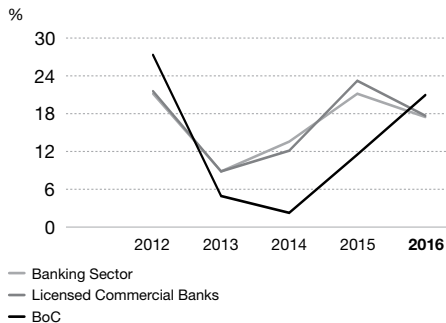


**Banking Sector Profitability Growth**

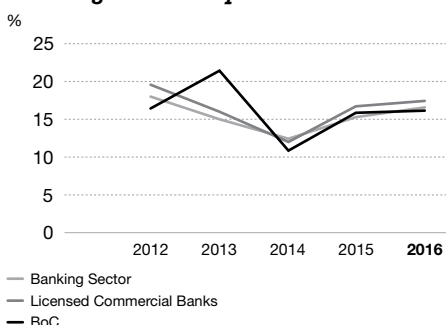


Total loans as at end 2016 was LKR 5,541 billion showing a growth of 17.5% over the prior year. Though there was a decrease in lending to the Government and state-owned enterprises this was compensated by an increase in lending to the private sector. The overall growth however, was less than in 2015. Deposits on the other hand, which grew by 16.5% in 2016 grew faster than in 2015. Time deposits accounted for 60.6% of total deposits continuing the trend of the past. Banking sector borrowing which was LKR 1,696 billion as at end 2016, reduced 3.5% over the previous year.

**Banking Sector Loans and Advances Growth**



**Banking Sector Deposits Growth**



Recording the lowest Non-performing loans (NPL) ratio in the past two decades, assets quality of the sector improved tremendously.

Increasing financial literacy and awareness of financial services is exerting pressure for the banking sector to expand, especially into rural areas. During the year, opened 70 new banking outlets (excluding student savings units) and 366 new ATMs were installed. The total number of banking outlets and ATMs reached 6,659 and 3,843 respectively by the end of 2016.

The global trend is towards more and more automation in the banking sector and the younger generation especially is becoming increasingly tech savvy. To keep up with the trends, banks need to be on the cutting edge of technology and innovate new products and services. They need to strike the balance between expanding through bricks and mortar networks and expanding through the internet and mobile banking. However, while going with the technology, banks also need to be vigilant about the risks. They need to secure their IT systems to ensure customer privacy and safeguard financial assets. With environmental issues coming to the forefront, banks also need to make their contribution by developing green banking products, especially to encourage generation of clean energy.

**The banking sector recorded over LKR 700 billion in capital funds, over LKR 2.3 trillion in total investments and over LKR 100 billion in profits in 2016.**





# Business Model

Input

## Financial Capital

Share Capital  
**LKR 15.0 billion**

Retained earnings and reserves  
**LKR 77.8 billion**

Local and foreign borrowings  
**LKR 237.5 billion**

## Manufactured Capital

**580** branches and **678** ATMs,  
**123** CDMs, **11** Regional Loan Centres,  
**48** Other Service Points and **15** SME  
 Centres

A number of innovative IT processes  
 introduced

## Intellectual Capital

Brand value of  
**LKR 41.4 billion**

Knowledge transformation activities

21% of the employee base has over 20  
 years of service experience

Process

Facilitating Financial Intermediation and Maturity Transformation through Retail, Corporate, Investment, Treasury and International banking

Output

## Financial Capital

Profit after tax  
**LKR 24.8 billion**

To the Government as Dividend  
**LKR 17.3 billion**

ROAE of **28.4%** and ROAA of **1.9%**

## Manufactured Capital

Added during the year:

- Branches – **2**
- Other Service Points – **1**
- ATMs – **133**
- CDMs – **109**
- Branch relocations – **19**
- Regional Loan Centre – **1**

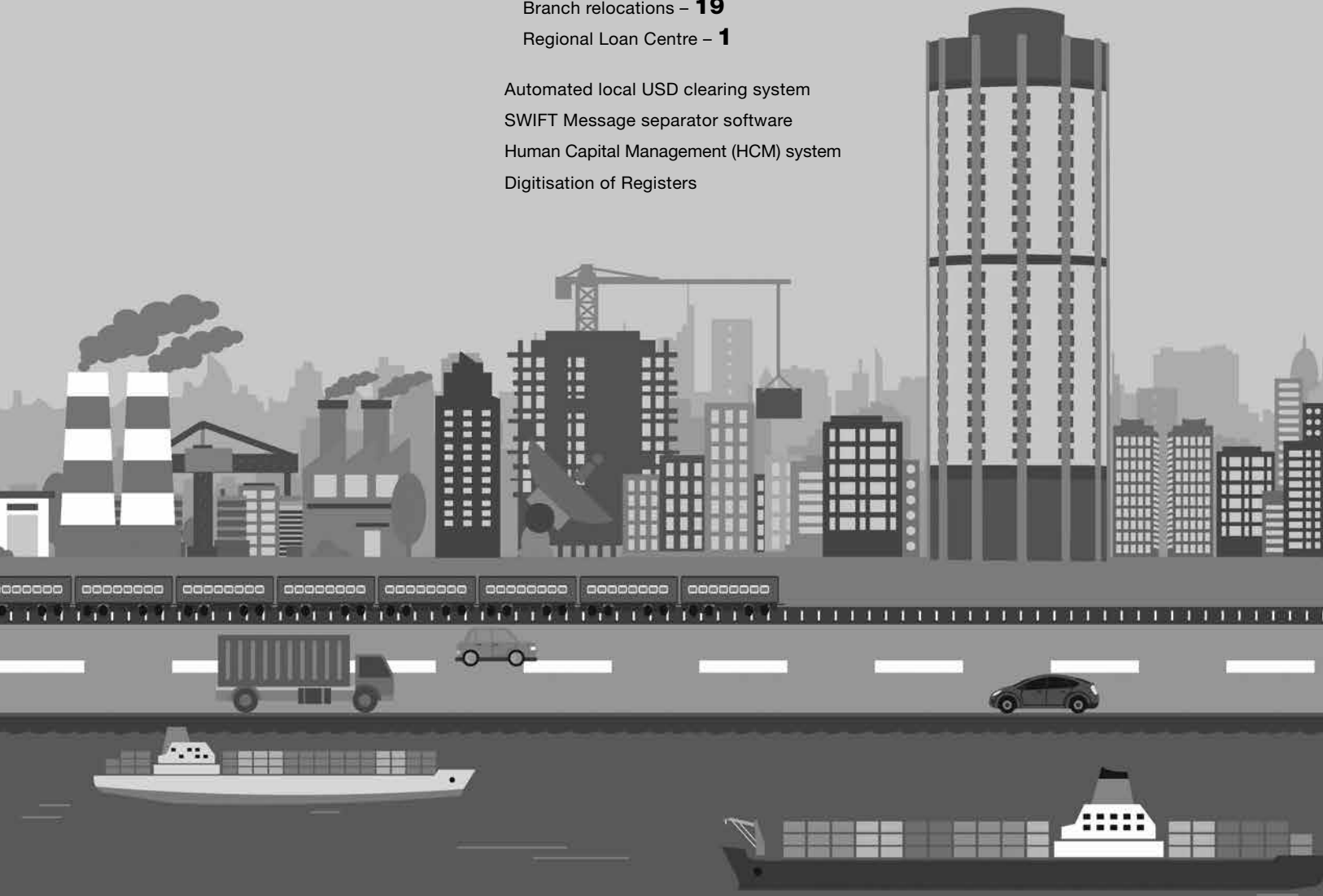
## Intellectual Capital

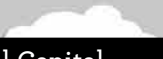
Automated local USD clearing system  
 SWIFT Message separator software  
 Human Capital Management (HCM) system  
 Digitisation of Registers

Improved processes and procedures

Comprehensive mentoring programmes  
 offered for new recruits

Innovation embedded in organisational  
 culture as a growth strategy





### Human Capital

**7,569** employees

**91** new recruits

**729** promotions

**41,532**

hours of training and capacity building

### Social and Relationship Capital

**12 million** customers

Wide range of products and services

Ethical and mutually beneficial relationships with business partners

### Natural Capital

Green banking initiatives  
Reduce usage of water, electricity and paper

divisions, creating value for the Nation and all the stakeholders. Undertaking such other activities in connection therewith and incidental thereto.

### Human Capital

Staff expenses

**LKR 16.8 billion**

Staff loans at concessionary rates

**LKR 15.8 billion**

Profit per employee

**LKR 4.1 million**

### Social and Relationship Capital

A satisfied and growing customer base

Full commitment to Sustainability Development Goals (SDGs)

**LKR 134.4 million**

investment in sustainability initiatives

### Natural Capital

Minimising Carbon Footprint

**95,272 kg**

of waste paper recycled



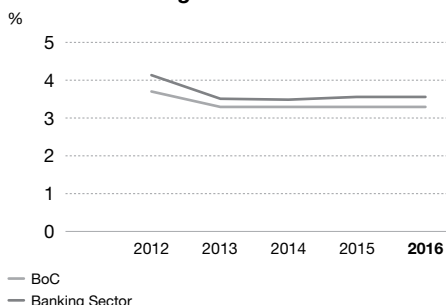
From our humble beginnings in 1939 to serve the needs for financing of the Sri Lankan business community, who had till then been dependent on money lenders, we have evolved to become the largest financial institution in the country as well as the major custodian of the state funds today.

In common with much of the banking industry value generation by the Bank of Ceylon rests primarily on two key business processes; financial intermediation and maturity transformation. A financial intermediary facilitates financial transactions, directly or indirectly, between numerous parties. For example by receiving money from depositors and lending it to borrowers; handing payments from importers to suppliers and customers to exporters. Maturity transformation entails bridging the difference in timing of cash flows in the above process.

This usually arises due to borrowing on a short-term basis and lending long term. The difference between the lending rate and the borrowing rate, the interest margin generates profits to the Bank on its lending operations. This should be adequate to compensate the Bank for credit risk, funding risk and interest rate risk.

The Bank also provides services which are not dependant on borrowed funds, known as fee based operations. Income streams generated by these activities have the advantage that they do not carry an interest rate risk. The Bank generated 87% of its income by way of interest income in 2016 and 6% from fee-based sources.

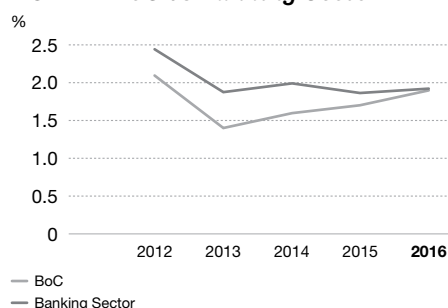
**Net Interest Margin – BoC vs Banking Sector**



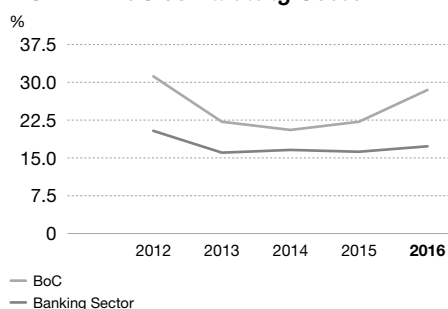
The nature of banking operations and its distinctive business model, causes the Return on Assets (ROA) to be much lower than that of other businesses. The norm for banks is not more than 2% while in other industries it tends to be in the range 10-20%. Hence the banks resort to growing their deposits and lending out these funds. This process, known as gearing, increases the return on

equity. However, the process of gearing increases the risk to the Bank which makes having a sound risk management framework all the more important.

**ROAA – BoC vs Banking Sector**



**ROAE – BoC vs Banking Sector**



Bank of Ceylon was inaugurated in 1939, to serve the needs for financing of the Sri Lankan (then known as Ceylonese) business community, who had till then been dependent on money lenders.

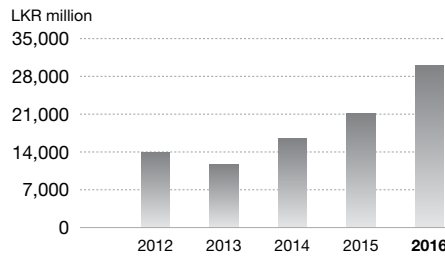
From these beginnings we evolved to become the largest financial institution in the country as well as the major custodian of the state funds. Regarding the latter role we are also the premier banker to the public institutions as well the state-owned enterprises. We are commercially a very successful Organisation recording a profit before tax of LKR 31.2 billion in 2016, despite our net interest margin being lower than that of most other banks. However, as a state-owned institution we cannot concentrate solely on the bottom line. We have to adhere to Government policies, for example in lending to priority sectors such as youth and women. This however has a triple bottom line impact by way of the social contribution we make.



With technological, social and demographic changes the face of banking is changing worldwide, and we have to keep up with the trends. Today, customers are educated and, especially in the case of the younger generation, tech savvy and have the highest expectations. Therefore, we have to be geared to capitalise on major opportunities that will arise as we move into the future.

The Bank is faced with performing a balancing act in fulfilling our development role while maintaining profitability and stability.

**Value to the Government**



As a Government-owned bank with a long history we enjoy public confidence. This coupled with our sprawling branch network makes us the Bank of choice for the rural population. Today we boast 580 branches with 48 other service points and 12 million account holders, which make us by far the largest retail bank in Sri Lanka. We also have branches in India, the Maldives and Seychelles as well as a subsidiary in London.

However, we are working in a dynamic environment and we cannot be complacent with our traditional modes of operation. In 2016, there was reduced demand for credit from the public sector bringing the sector's share of total lending down to 30%. We therefore have to increase our penetration of the corporate and SME sectors. The size of our lending portfolio, and consequent large single borrower exposure give us an edge. However, we are facing increased competition from other state banks, private banks and non-bank financial institutions, and our competitors are constantly innovating new products and services. We have to be geared to capitalise on major opportunities that will open with the Colombo International Financial Centre, Megapolis, Private Free Trade Zones etc. With technological, social and demographic changes the face of banking is changing worldwide, and we have to keep up with the trends. Today customers are educated and, especially in the case of the younger

generation, tech savvy and have the highest expectations. While seeking to attain international benchmarks we have to keep in mind the local requirements.

With the loan book crossing the rupees one trillion mark during the year, BoC became the first Bank in Sri Lanka to achieve the landmark of triple trillions with assets totalling to LKR 1.7 trillion, deposits to LKR 1.2 trillion and loans to LKR 1.0 trillion. Foreign remittances of about USD 3.5 billion were also received through the Bank. We have also achieved a good balance in our lending in the different areas of the country ensuring that we lend back to the areas from where the savings come from. In the year under review we also paid a dividend to the Government of Sri Lanka of LKR 17.3 billion reflecting a payout ratio of 70%, a proud contribution to the nation's coffers.

The corporate goals and targets should be aligned with the risk appetite of the Bank. The Bank's credit risk is mainly derived from lending and investment activities which account for over 80% of the total risk weighted assets of the Bank. The Bank's overall Non-performing Asset Ratio (NPA) is currently 2.9%; excluding Government exposure it is more than 5%. Increase in lending to the private sector will tend to increase the NPA ratio. Therefore it is necessary for us to be cautious in expanding such lending. We also need to maintain a prudent sectoral balance in lending since increase in retail lending for targeted segments may lead to concentration risk.

Our retail banking portfolio has a solid foundation in the confidence we enjoy by virtue of being a state bank and our wide network of branches. Whatever changes have happened in banking practices in recent years and whatever new channels have emerged, our brick and mortar branch network continues to be important. Therefore, we have made enhancements to our physical infrastructure, such as branch modernisation, increasing ATM/CDMs and the customer lobby.

We are targeting steady growth in our home loans, SME, commercial loan products, leasing and pawning portfolios. Our strategies and staff training in these areas have been crafted to spread the growth across all areas and provinces. Organisational changes have also been made to help drive the necessary changes. Retail banking has been divided into two ranges to introduce an element of competition and new DGM positions have also been created to strengthen the lending activities of the Bank in catering to the growing demand at provincial level.

Some of our lending programmes which have created a broad social impact are the Coconut Development Loan Scheme, NCRCS, Govishakthi (credit scheme for agricultural equipment) and pledge loans. A total of LKR 21 billion was granted under 16,559 pledge loans. The 'Kantha Randiriya' scheme helps women entrepreneurs to start or develop small or micro enterprises.

The BoC 'Mithuru' and 'Divi Maga' Programmes also seek to uplift the underprivileged members of our society through promoting entrepreneurship. Assistance to students has been granted through BoC Computer Loans and BoC Education Loans.

We have made our contribution to infrastructure development at a national level by our loans to Road Development Authority and Water Supply Project (Colombo). BoC also contributed to sustaining the power and energy sector by financing facilities to Ceylon Petroleum Corporation, wind power and hydro power projects. Our 'Awakening North' scheme provides credit facilities for resumption of economic activities in the war ravaged Northern Province.

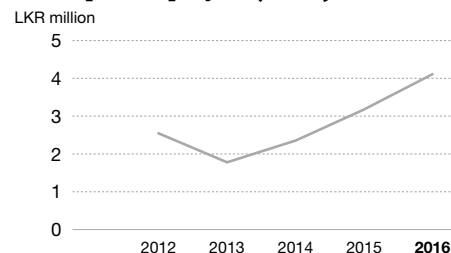
With the new trends sweeping the banking industry we also need to be in the forefront of technology to keep up with the competition. The Bank of Ceylon

has moved into internet banking and our new 'Smart Gen' product has enabled a customer to utilise new technology in their day-to-day banking needs. We have also introduced workflow systems to facilitate smooth processing of credit applications. However, we need to rapidly introduce a comprehensive mobile app on par with the other offerings in the market. Steps have already been taken to improve required IT resources, staff knowledge and other areas in this regard.

The Bank of Ceylon has over 7,000 employees and we recruit at a wide range of levels, educational qualifications and ages. We follow comprehensive procedures laid down by the Government in recruitment, and the entire process is fully transparent. Our staff possess technical skills and are dedicated to the Bank. We strive to achieve constant

improvement in areas of customer care to better serve our customers. The entire reputation of the Bank rests on the impression that the customer forms at a counter or when applying for a loan.

### Profit per Employee (Bank)



The Bank is in an extremely competitive industry and one that is evolving with dizzying rapidity. However, we can go forward convinced that we possess the strengths to meet whatever challenges we face.

## Economic Value Added

Economic Value Added (EVA) indicates the true economic profit of an organisation. EVA is an estimate of the amount by which earnings exceed or fall short of required minimum return for shareholders at comparable risks. EVA of the Bank stood at LKR 15,761 million as of 31 December 2016 against LKR 15,128 million in 2015.

|                                                                                         | 2016<br>LKR million | 2015<br>LKR million | Change<br>% |
|-----------------------------------------------------------------------------------------|---------------------|---------------------|-------------|
| <b>Invested capital</b>                                                                 |                     |                     |             |
| Average Shareholders' funds                                                             | 87,167              | 78,145              | 12          |
| Add: Cumulative provision for loan losses and provision for impairment and other losses | 47,832              | 43,252              | 11          |
|                                                                                         | 134,999             | 121,397             | 11          |
| <b>Return on invested capital</b>                                                       |                     |                     |             |
| Profit after taxation                                                                   | 24,791              | 17,357              | 43          |
| Add: Provision for loan losses                                                          | 4,397               | 5,904               | (26)        |
| Less: Loans written off                                                                 | (31)                | (109)               | (72)        |
| Total return on invested capital                                                        | 29,157              | 23,152              | 26          |
| Opportunity cost of invested capital*                                                   | (13,396)            | (8,024)             | 67          |
| <b>Economic Value Added</b>                                                             | <b>15,761</b>       | <b>15,128</b>       | <b>4</b>    |

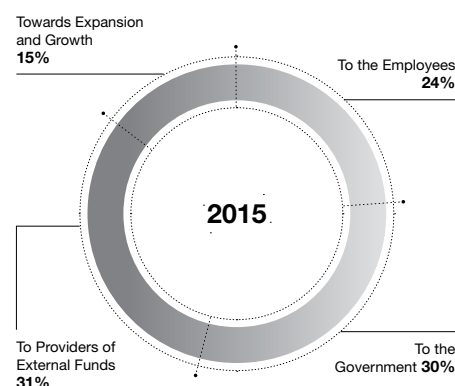
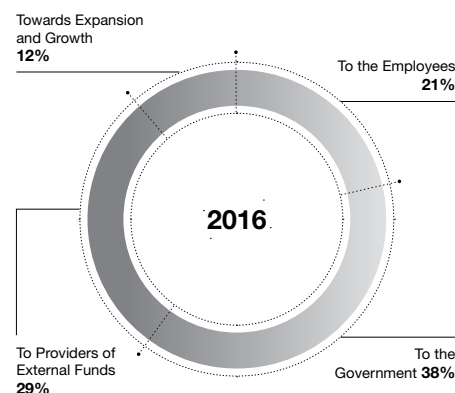
\*Calculated based on weighted average 12 months treasury bill rate 2016 - 9.92% (2015 - 6.61%)

## Value Added Statement

An analysis of the Bank's value creation and allocation among the key stakeholders is depicted below.

|                                               | 2016<br>LKR million | 2015<br>LKR million | Change<br>% |
|-----------------------------------------------|---------------------|---------------------|-------------|
| <b>Value added</b>                            |                     |                     |             |
| Income earned by providing banking services   | 147,554             | 126,664             | 16          |
| Cost of services                              | (71,164)            | (55,361)            | 29          |
| <b>Value added by banking services</b>        | <b>76,390</b>       | <b>71,303</b>       | <b>7</b>    |
| Non-banking Income                            | 6,568               | 4,838               | 36          |
| Impairment charges for loans and other losses | (4,397)             | (5,904)             | (26)        |
|                                               | 78,561              | 70,237              | 12          |
| <b>Value allocation</b>                       |                     |                     |             |
| <b>To employees</b>                           |                     |                     |             |
| Salaries, wages and other benefits            | 16,844              | 16,744              | 1           |
| <b>To Government</b>                          |                     |                     |             |
| Dividends to Government of Sri Lanka          | 17,346              | 6,346               | 173         |
| Super gain tax                                | -                   | 2,016               | (100)       |
| Income tax                                    | 6,453               | 7,951               | (19)        |
| VAT and NBT on financial services             | 6,265               | 4,816               | 30          |
|                                               | 30,064              | 21,129              | 42          |
| <b>To providers of external funds</b>         |                     |                     |             |
| Interest on other borrowings                  | 18,239              | 16,971              | 7           |
| Interest on debt issued                       | 4,571               | 5,037               | (9)         |
|                                               | 22,810              | 22,008              | 4           |
| <b>To expansion and growth</b>                |                     |                     |             |
| Retained profit                               | 7,445               | 8,995               | (17)        |
| Depreciation and amortisation                 | 1,453               | 1,391               | 4           |
| Deferred taxation                             | (55)                | (30)                | 83          |
|                                               | 8,843               | 10,356              | (15)        |
|                                               | 78,561              | 70,237              | 12          |

### Value Added



## Committing Our ‘Numbers’ to Sustainability

### BoC Sustainability Policy

The Bank of Ceylon, has adopted the Sustainability Development Goals (SDGs) into its strategy. Accordingly, the Board appointed Sustainability Committee has been entrusted with the implementation of the SDGs, headed by the General Manager as the Chairman of the Sustainability Committee.

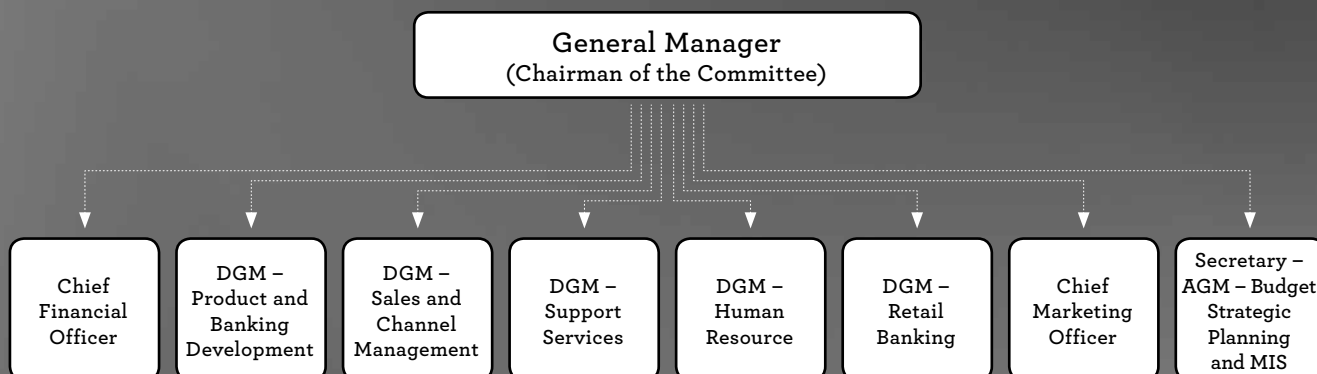
The Committee is tasked with integrating sustainability considerations into the Bank’s key business decisions processes and initiatives; all the activities should be carried out giving due consideration to their economic, environmental and social impact, both short-term and long-term.

The Bank’s role as a financial intermediary gives it a potentially enormous role in enhancing sustainability. All the more so since the Bank of Ceylon is the largest Bank in the country. The Bank can influence sustainability not only directly through its own activities, but indirectly through other stakeholders especially those to whom it grants credit.

The Bank’s most important sustainability consideration is the impact that its operations, products, services and customer relationships are having on the financial sector. The Bank has a prime responsibility to act ethically and transparently with its customers as well as regulators and Government. To achieve this, sound corporate governance with well-structured rules and procedures is a must.

In this context the Bank has to conduct its activities not only with economic considerations in mind but also taking into account environmental protection and social stability. The Bank through its financial activities promotes financial inclusiveness; it has wide discretion as to how it can widen the social value it generates thereby, in how it structures and prioritises its programmes. By integrating social and environmental considerations in its lending practices, it can further widen its triple bottom line impact.

### Sustainability Committee



## BoC's Commitment to SDGs

The Sustainable Development Goals (SDGs) are a set of social and development targets and aspirations for 2030, which were adopted by the United Nations General Assembly in 2015. They include 17 individual goals and are built on the Millennium Development Goals (MDGs) for 2015. They encompass a wide range of issues including poverty, health, education, the environment and climate change. However, a quantum leap from the MDGs has been that the SDGs call on business to make their contribution to achieve the goals. There has been wide international agreement on the SDGs but achieving the targets depends on the concerted action of a wide range of actors.



**Business can use the SDGs as a framework to formulate strategies and to measure the value they deliver in a holistic manner. Using the SDGs companies can identify areas where, while generating profits for themselves, they can also deliver value to society. The SDGs can also motivate business to make more efficient use of resources, or switch to more renewable alternatives thus minimising the depletion of non-renewables.**

**As the SDGs become widely adopted worldwide they will be increasingly reflected in policy directives at international, national and regional levels. Companies that align their strategies with the SDGs can strengthen engagement with stakeholders. It will also give an effective platform for them to communicate with stakeholders regarding impacts and performance. On the other hand, lack of such alignment can bring legal and reputational risks. Business needs a corruption-free environment, good governance, transparency and rules based market to function efficiently and effectively. The SDGs will assist business in this respect by promoting a conducive environment for them to operate honestly, transparently and free of corruption and nepotism.**

**The contribution of the Bank towards the individual SDGs is described below:**

## Ending Poverty

*This goal calls for an end to poverty throughout the globe and providing a minimum standard of living and basic social protection for everyone.*

Providing access to credit and other banking services has been recognised globally as an essential step in economically uplifting those at the bottom of the social pyramid. The BoC has made its contribution in this direction by way of its *Mithuru* microfinancing programme, which gives a helping hand to the underprivileged in our society to become economically self-sufficient. Awareness of this programme was spread island-wide by 38 awareness campaigns in eight provinces which drew a total of 1,334 participants. Further, BoC '*Mithuru Bakmaha Pola*' were conducted to help the small scale entrepreneurs sell their produce in the areas of Anuradhapura and Kilinochchi. Financial inclusion is also promoted through the '*Samata Ginumak*' project which is aimed at drawing financially illiterate people into the financial net. During 2016, 94,000 accounts were opened under the project.

The Bank is very conscious of the role that the SME sector plays, especially at the grass roots level. Seven SME customer awareness programmes were also conducted including 707 participants in seven provinces.

The Bank also made a contribution of LKR 30 billion to the national coffers, the benefits of which will reach every citizen through uplifting their social welfare.



*Mithuru* microfinancing programme

**38** awareness programmes for

**1,334** participants

'*Samata Ginumak*' project

**94,000** accounts were opened under the project

## Ending Hunger

*The vision of this goal is to end hunger, all forms of malnutrition and achieve sustainable food production.*

Ensuring a continuous supply of essential food items at an affordable price, plays a key role in alleviating hunger and malnutrition. By the financial assistance we give to farmers we are helping continuance of the food supply. A total of 20,777 loans were granted to the agricultural sector during the year.

The Bank also provided financing to the Paddy Marketing Board and Lanka Sathosa which are key links in the food supply chain and thereby contributed to ensuring food security in the country.



**20,777** loans for the agricultural sector

Financing to the Paddy Marketing Board and Lanka Sathosa

## Promoting Health and Well-being

*Goal three seeks to ensure sufficient healthcare facilities, enabling maintenance of a satisfactory level of health and well-being for the entire population.*

BoC made major contributions to this goal through the loans to the health sector to facilitate continuance and expansion of health services. In addition, island-wide blood donation campaigns were conducted concurrently with the 77th anniversary of the Bank. The head office alone donated 163 pints of blood.

Keeping in mind the role that sports play in building a healthy nation, sponsorships were granted to national sports events as well as to events at universities, schools and private institutes. The Bank does not forget the health concerns of its own employees and strives to ensure their work life balance. Sports meets were conducted for Bank staff both at national and provincial level.



Island-wide blood donation campaigns

**163 pints**

of blood donated in Head Office alone

**LKR 14.4 million**

Contribution to sports events

## Ensuring Inclusive and Equitable Quality Education

*This goal is directed towards provision of all types of education including general education, technical and vocational education and higher education and promoting access to education for all.*

The Bank's programmes under this goal are tailored to broadening access to education which will promote equality of opportunity and social mobility. The *Ran Kekulu* scholarship scheme for Grade 5 scholarship achievers is a major initiative to help students move up the ladder.

The value of each scholarship is LKR 15,000/- and a total of LKR 19.1 million was disbursed during the year. Another LKR 2.9 million was granted to 18+ scholarships for students to attend higher educational institutions. In addition, LKR 2.9 million was invested in the Grade 5 '*Hapana*' seminar programmes. During the year, 75 such programmes were conducted in which 31,293 students participated. These programmes helped immensely in uplifting the skills of students in under privileged schools.

We also provide internship training programmes to university students and students of other professional institutions. During the year, 759 students were beneficiaries of such internships. Furthermore, the Bank also provides training of six months duration for school leavers; during 2016 the intake of such trainees (who received certified confirmation of their training) was 1,709.

The BoC Money and Banking Museum was opened on 1 August 2016 to coincide with the 77th anniversary of the Bank. During the first five months of operation, 4,200 visitors have visited the museum which seeks to promote financial awareness of the community.



*Ran Kekulu* scholarship scheme for Grade 5 scholarship achievers

**LKR 19.05 million** was disbursed during the year

Internship training programmes to university students

**759** student beneficiaries

## Gender Equality

*Goal 5 aims to ensure that women and girls are empowered to reach their full potential and safeguarded from all forms of discrimination and violence.*

The Bank maintains a strictly non-discriminatory policy in its gender practices. This is demonstrated by the fact that out of our employees 4,320 are female whereas 3,339 are male. The Bank also conducts women empowerment programmes to improve their position in our society. Promotions were more or less equally distributed among men and women.

Conducted a special promotional programme celebrating International Women's Day – 2016 and 22,380 new '*Kantha Ran Ginum*' were opened during the campaign.



**56%** of employees are female

Women empowerment programmes

**Over 1 million** '*Kantha Ran Ginum*' holders

## Availability of Water and Sanitation for All

*This goal is directed not only at provision of drinking water and sanitation but also at addressing the quality and sustainability of water resources.*

Our major contribution to this goal is through the loans granted to the National Water Supply and Drainage Board (NWSDB) for state water projects. The Colombo City Water Project is one of the major projects being funded by the Bank.

As a contribution at the grass roots level, a CSR project was conducted at Maithrigama Village, Welikanda to provide water to the local residents through tube wells. Contributions to provision of safe drinking water were also made by loan facilities granted to private institutions to producing bottled drinking water.



CSR project at Maithrigama Village, Welikanda to provide drinking water

Funding for the Colombo City Water Project

## Access to Reliable Sustainable and Modern Energy for All

*This goal seeks to promote wide energy access and increased use of renewable energy.*

Solar power has been introduced at the Tissamaharama and Kilinochchi Branches which has reduced dependence on fossil fuel-generated energy. The Bank also operates the Koladeniya Hydropower (Private) Limited Company as a subsidiary, which is another contribution to the generation of renewable energy.

The Bank also finances the generation of renewable power resources, including solar power, hydro power and wind power.



Solar Power to **2 branches**

Operates the Koladeniya Hydropower (Private) Limited as a subsidiary

## Promote Sustained, Inclusive and Sustainable Economic Growth

*The objective of Goal 8 is to provide decent, productive and remunerative employment for all while eliminating undesirable labour practices.*

We employ a total of 7,569 people, within the age range of 18 to 60 years, to whom we provide well-remunerated, satisfying and secure employment. The Asia's Best Employer Brand Awards for 2016 recognised us as the best brand in the continent in 2016.

In addition, a large number of jobs have been created through our lending facilities, especially our lending to the SME sector which generates much employment in the rural sector. A total of LKR 4.2 million was spent on CSR to develop entrepreneurship activities during 2016.



**7,569** employees

**LKR 4.2 million** to develop entrepreneurship activities during 2016

## Building Resilient Infrastructure, Promoting Inclusive and Sustainable Industrialisation and Fostering Innovation

*Goal 9 focuses on the promotion of infrastructure development and innovation.*

In recent times the customer interface with the Bank has been radically changed through leveraging information technology and the spread of mobile phones. The Smart Zone is an innovation the Bank has introduced, which provides 24x365 Automated Banking service for cash deposits and cash withdrawals.

The SME sector, which reaches out into the rural hinterlands of the country, plays a key role in small scale industry and rural infrastructure. The Bank thus contributes to this goal by the lending and other facilities provided to this sector supported by the SME campaigns. The Bank also contributed to large scale infrastructure development by the loan facilities granted to subcontractors of the Central Expressway.



**580** Branches  
**123** CDMs  
**678** ATMs

**Smart Zone**  
24x365 Automated Banking service



## Reducing Inequality in the Society

*The objective of the goal is to narrow disparities of income in society including those linked to age, sex, gender and social class.*

Our recruitment includes people from all areas of the country, from all social levels, with educational qualifications ranging from school level to the cream of university graduates and in the age range from 18 to 40. Similarly, the Bank caters to all segments of society, all age groups and all geographical areas of the country through its diverse products and services not to mention its far flung network. This diversity in our recruitment, as well as our banking services, contributes to reducing inequality in the society, especially by way of providing opportunities to the underprivileged and women by way of special development credit facilities.



**Diversity**  
our recruitment and banking services, contributes to reducing inequality in the society

## Sustainable Cities and Communities

*This goal is directed at renewing and planning human cities and settlements in a way that minimises conflict and fosters personal security while stimulating employment.*

We contribute to this goal through supporting affordable housing; our loan scheme 'Sirimedura' is tailored for housing loans. Our housing loan portfolio amounted to LKR 48.8 billion while it also recorded a growth of 14% during the year. Further, we have provided funding to North East development projects and human settlement in the region.



'Sirimedura' affordable housing loan scheme

**LKR 48.8 billion**  
value of housing loan portfolio

'Awakening North' Credit Scheme

Funding to North East development projects

## Ensure Sustainable Consumption and Production Patterns

*Goal 12 seeks to foster production and consumption patterns that will minimise use of resources and generation of materials that are toxic to the environment.*

We contribute to sustainable consumption through streamlining our procedures to minimise the use of paper by recycling and moving towards a paperless environment. A total of 95,272 kg of paper has been recycled resulting in saving of trees, electricity, water and landfills. Usage of paper has also been reduced through the SmartGen paperless account which has exceeded 100,000 accounts. The Bank takes continuous efforts to move towards paperless processes and products

The paper saved has been the equivalent of 1,620 full grown trees, 167,202 litres of oil, 381,088 kWh of electricity, 3,027,744 litres of water and 286 m<sup>3</sup> of Landfill.

We also practice responsible waste management, reducing environmental damage.



**95,272 kgs**  
of paper has been recycled

**100,000+**  
SmartGen paperless accounts

## Action to Combat Climate Change

*This goal addresses what is probably the biggest global challenge of today, the impact that human activities are having on the planet Earth.*

The Bank has systems and procedures in place to minimise our carbon footprint. We are constantly seeking to reduce natural resource usage and dumping of waste to the environment through digital initiatives such as eLearning, eStatement and altering internal systems and processes to be tech-savvy.

The quantity of paper recycled, 95,272 kgs has resulted in a reduction of greenhouse gas emissions of 95,272 kgs of carbon equivalent.



**95,272 kg CO<sub>2</sub>e**  
reduction of greenhouse gas emissions due to recycling efforts

## Life Below Water

*Goal 14 focuses on conserving and sustainably using the oceans, seas and marine resources for sustainable development.*

BoC sponsored the 'Miridiya Waruna' Award Ceremony organised by National Aquaculture Development Authority of Sri Lanka. This award gives recognition to fresh water fish cultivators, enhances fresh water fish harvests and will thereby act as a deterrent to illegal marine fishing.

The Bank also continues with the 'Diyawara Diriya' loan scheme to assist fishermen to develop their fisheries activities in conformance with the accepted legal framework and environmental guidelines.



'Miridiya Waruna' Award Ceremony sponsorship

'Diyawara Diriya' loan scheme assisting fishermen develop their livelihoods

## Promote Sustainable Use of Terrestrial Ecosystems

*Goal 15 is aimed at eliminating the destruction of the natural environment such as reducing the forest cover and combating desertification.*

The North Central Province Staff of the BoC planted 1,000 saplings in the Thisawewa area with the collaboration of Government Departments. In addition, 100,000 plants were planted to commemorate the 75th Anniversary.



**1,000 saplings** planted during the year

**100,000 plants** planted to commemorate the 75th Anniversary

## Peace and Justice

*Goal 16 envisages the building of a peaceful and cohesive society based on non-discrimination, respect for human rights, the rule of law and good governance at all levels.*

The Bank promotes national integration and reconciliation by a variety of cultural and religious events. These activities include festivals of all communities and religions such as Wesak, Poson, Christmas Carols, Hadji, Ifthicar, Thaipongal and Mahasivarathree which are organised by internal societies of the Bank representing all religions.

A total of LKR 2.1 million was spent on social, cultural and religious activities of staff during the year.

The Bank also sponsored overseas Sinhala and Hindu New Year events.

Bank has a Whistle Blowing Policy and a property laid down grievance handling procedure in place.



Promoting festivals and religious observances of all faiths in the Bank

**LKR 2.1 million** for social, cultural and religious activities of staff during 2016

## Partnerships for Sustainable Development

*Achievement of the goals will rest on collaboration of a large number of stakeholders including business, Government, civil society and the international organisations.*

As a state bank, BoC maintains a close mutual relationship with the Government of Sri Lanka. The Bank also enters into collaborations with international organisations. These networks enable the Bank to play a vital role in sustainable development of the country.

Achieving the goals of the Bank will need the commitment of staff and management at all levels. The Board, Corporate and Senior Management and every employee have been educated about the importance of the goals and our commitment to them.



Mutual relationships with the GOSL and various national and international organisations



# Bankers to the Nation

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Through responsible  
stewardship infused  
with exemplary  
governance and ethics,  
the Bank presents  
itself to people  
and nation as an  
institution which has  
earned the right  
to be regarded as  
Bankers to the Nation.





OF CEYLON

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இலங்கை வங்கி

Bankers to the Nation 

# Showing the Way

Board of Directors





*Seated – Left to Right*

Mr Ronald C Perera PC – *Chairman*, Mr Ranel T Wijesinha

*Standing – Left to Right*

Mr H P Ajith Gunawardana, Mr Sanjaya Padmaperuma, Mr Sajith R Attygalle, Mr Charitha N Wijewardane,  
Ms Janaki Senanayake Siriwardane – *Secretary, Bank of Ceylon/Secretary to the Board*

**Mr Ronald C Perera**  
President's Counsel  
Chairman, Independent  
Non-Executive Director

#### Skills and Experience

Mr Perera is an experienced lawyer with a wide practice in the Original Courts as well as in the Court of Appeal and the Supreme Court of Sri Lanka, especially in the areas of civil and criminal litigation, negotiation and drafting of commercial and transport contracts and agreements. He has specialised in Commercial Law, Banking Law, Industrial Law, Injunctions, Defamation, Election Petitions, Civil Appeals, Revision Applications, Writ Applications and Fundamental Rights Cases. Additionally, he has appeared in several Commercial Arbitrations.

Mr Perera is a Bachelor of Laws (LLB) Graduate from the University of Colombo and also holds a LLM in International Trade Law from Northumbria University, UK.

#### Appointed to the Board

On 28 January 2015 as the Chairman.

#### Membership of Board Subcommittees

Chairman of the Board Nomination and Corporate Governance Committee.

Member of the Human Resources and Remuneration Committee.

#### Current Appointments

The Chairman of BOC (UK) Limited.

#### Previous Key Appointments

He was a Director of Bank of Ceylon, Merchant Bank of Sri Lanka & Finance PLC, Mireka Capital Land (Private) Limited and Mireka Homes (Private) Limited.

**Mr Sajith R Attygalle**  
Non-Executive Ex-Officio Director

#### Skills and Experience

Mr Attygalle is an Assistant Governor of the Central Bank of Sri Lanka and currently serves as a Deputy Secretary to the Treasury. He has over 25 years of experience in the area of Monetary and Fiscal Policy.

He holds a Masters (MSc) Degree in Quantitative Development Economics from the University of Warwick, United Kingdom and a Bachelor of Science (BSc) Degree in Physical Science from the University of Colombo.

#### Appointed to the Board

On 27 April 2016.

#### Membership of Board Subcommittees

Member of the Board Audit Committee and the Human Resources and Remuneration Committee.

#### Current Appointments

Mr. Attygalle is representing the Treasury at the Securities and Exchange Commission of Sri Lanka as a Commission member and Airport and Aviation Services (Sri Lanka) Limited as a Director.

#### Previous Key Appointments

Prior to the appointment as the Deputy Secretary to the Treasury, Mr Attygalle had been serving as the Director General of the Department of Fiscal Policy and Department of Public Enterprises of the Ministry of Finance and Planning and has contributed substantially to the Government's endeavours in the fiscal consolidation process. He has been contributing towards the formulation of the Annual Budget and leading the technical team for the Free Trade Agreement (FTA) with China.

He had also served as a Director and Acting Chairman of National Savings Bank and a Director on the Board of Bank of Ceylon and Regional Development Bank and also represented the Treasury as a Board Member in several Boards in key Government institutions such as Sri Lanka Ports Authority.





**Mr Ranel T Wijesinha**  
*Independent  
 Non-Executive Director*

### Skills and Experience

Mr Ranel Wijesinha, a practicing, independent, international management consultant, with over 35 years of post-qualification experience, has a distinctive balance of local and overseas exposure between the private and public sector, between industry and public practice and between accounting, auditing and consulting.

He has contributed to the Public Sector, through many statutory, regulatory and advisory roles, for the Government of Sri Lanka, over the last two and a half decades.

During the immediately preceding decade, he has performed advisory work in the Public Sector for foreign governments in several countries on behalf of multilateral development partners such as the Asian Development Bank. These assignments included, functioning as Team Leader in Governance and Institutional Risk Assessments relating to Public Financial Management and Procurement, Infrastructure-related Financial Management Assessments, Project Evaluation, and Institutional Development and Capacity Building Assessments.

His experience in the private sector includes functioning as the Director Business Development of the John Keells Holdings Group, Partner and Head of Consulting, with PricewaterhouseCoopers Sri Lanka, and as a Manager, with the

Big 4 firms, Deloitte, in The Bahamas. He has extensive experience in Business Diagnoses and Strategic Redirection, Corporate turnarounds, New project evaluation, Privatisation-related Diagnoses, Valuations, Bidding, Acquisitions and Divestments.

He is a Fellow of The Institute of Chartered Accountants of Sri Lanka, and a holder of a Master's Degree in Business Administration from the University of Pittsburgh, in Pennsylvania, USA. He has also studied Multinational Corporations and Political Risk Analysis at the University's Graduate School of Public and International Affairs.

### Appointed to the Board

On 9 February 2015.

### Membership of Board Subcommittees

Chairman of the Board Audit Committee.

### Current Appointments

He was appointed a Commissioner of the Securities and Exchange Commission of Sri Lanka in February 2015.

### Previous Key Appointments

Chairman, Monitoring and Advisory Committee of the Ministry of Power & Energy; Member of the first Consumer Affairs Council under the first Consumer Affairs Authority Act; Member, Accounting and Auditing Standards Monitoring Board; Commissioner, the Securities and Exchange Commission of Sri Lanka; Member, Governing Council, National Institute of Business Management; Member, Board of Management, Postgraduate Institute of Management; Member, Main Committee, Ceylon Chamber of Commerce; Advisor, Federation of Chambers of Commerce

and Industry of Sri Lanka and Advisor, SAARC Chamber of Commerce and Industry. He is a Past President of The Institute of Chartered Accountants of Sri Lanka and a Past President of the 23 Nation Confederation of Asian and Pacific Accountants. He was a long serving Non-Executive Director and Chairman of the Board Audit Committee, from 2005 to July 2016, of John Keells Hotels PLC which owned and operated a hotel chain comprising 11 properties in Sri Lanka and the Maldives.

**Mr Charitha N Wijewardane**  
*Independent  
Non-Executive Director*

#### Skills and Experience

Mr Wijewardane is an Engineer by profession. His strength lies in effective channel operations in diverse cultures and subcultures. He holds a BSc (Hons) Degree in Digital Electronics and Communications from the University of Hull, UK.

#### Appointed to the Board

On 05 November 2015.

#### Membership of Board Subcommittees

Chairman of the Board Integrated Risk Management Committee, member of the Audit Committee and Human Resources and Remuneration Committee.

#### Current Appointments

Director of Faceforward (Private) Limited, Emjay Group Holdings Company (Private) Limited and Global Facilitators (Private) Limited, Merchant Bank of Sri Lanka & Finance PLC, BOC Travels (Private) Limited, MBSL Insurance Company Limited, Hotels Colombo (1963) Limited and John Keells PLC.

He is currently into other areas of business involving agriculture, engineering, power generation and mineral industry.

#### Previous Key Appointments

Country General Manager for IBM World Trade Corporation, Sri Lanka. Headed mass marketing programmes in IBM's Asia Pacific Group Head Quarters in Hong Kong and IBM ASEAN operations in Singapore. He was also Regional Manager at Lexmark International's, Asia Pacific operations based in Sydney, Australia, spearheading distribution and service operations in Pakistan, India, Bangladesh, Sri Lanka, Myanmar, the Maldives and New Zealand.

**Mr Sanjaya Padmaperuma**  
*Independent  
Non-Executive Director*

#### Skills and Experience

Mr Padmaperuma is a Co-founder and Chief Executive Officer of South Asian Technologies and has wide experience in the IT field. He holds a BSc in Business Administration from Western Carolina University, North Carolina with a major in Computer Information Systems.

#### Appointed to the Board

On 05 November 2015.

#### Membership of Board Subcommittees

Member of the Board Integrated Risk Management Committee, Audit Committee and Nomination and Corporate Governance Committee.

#### Current Appointments

Director of Transcend Technologies (Private) Limited, Safe Project (Private) Limited, Curo Networks (Private) Limited, Koladeniya Hydropower (Private) Limited, Sri Lanka Insurance Corporation Limited and the Jellybean Foundation.

#### Previous Key Appointments

Director of Merchant Bank of Sri Lanka & Finance PLC and a Director/ General Manager of Ceylinco Networking Technologies (Private) Limited.



**Mr H P Ajith Gunawardana**  
*Independent  
 Non-Executive Director*

**Skills and Experience**

Mr Gunawardana is a Government Treasury Bond market specialist with experience in equity markets and fund management. He also brings Corporate Governance experience having sat on a number of listed company Boards. He has over 25 years experience in the financial sector. He holds a Diploma in Business Administration and Chartered Financial Analyst – Part II.

**Appointed to the Board**

On 06 November 2015.

**Membership of Board Subcommittees**

Chairman of the Board Human Resources and Remuneration Committee, member of the Integrated Risk Management Committee and Nomination and Corporate Governance Committee.

**Current Appointments**

Director of Lanka Securities (Private) Limited.

**Previous Key Appointments**

Director of Merchant Bank of Sri Lanka & Finance PLC and a Director/ Chief Executive Officer of Janashakthi Securities Limited. Director of Kshatriya Holdings PLC, First Capital Holdings PLC, Kelsey Homes PLC and Kotmale Holdings PLC.

**Ms Janaki Senanayake Siriwardane**  
*Secretary, Bank of Ceylon/  
 Secretary to the Board*

Profile given on page 48.



## Corporate Management



***Front Row – Left to Right***

Mr S Hewavitharana, Ms Gaya Jayasinghe, Mr W P Russel Fonseka, Mr D M Gunasekara, Mr Senarath Bandara

***Back Row – Left to Right***

Mr C Amarasinghe, Mr P M Liyanage, Mr G L Palitha Jinasoma, Dr Indunil Liyanage, Mr M J P Salgado



***Front Row – Left to Right***

Mr D N L Fernando, Mr D M L B Dassanayake, Mr W A C Tissera, Mr D P K Gunasekara, Ms Janaki Senanayake Siriwardane, Mr S M S C Jayasuriya

***Back Row – Left to Right***

Mr M M Luxaman Perera, Mr K E D Sumanasiri, Mr P C Wickramapathirana, Mr M T M Jalaldeen, Mr R M D Vipula Jayabahu

**Mr D M Gunasekara**  
General Manager

**Skills and Experience**

Mr Gunasekara is a career banker with 33 years of diversified banking experience covering corporate and offshore banking, sales and channel management and international banking operations. Prior to his being appointed as the General Manager, he has held a number of key corporate management positions in these areas. He possesses extensive experience in credit management and administration.

Being a graduate from the University of Colombo, Sri Lanka with a Special Degree in Public Finance and Taxation, he has successfully completed the Programme on Corporate Management for Sri Lanka 2 (LKCM2) conducted by The Association for Overseas Technical Scholarship (AOTS) Japan and the Advanced Management Programme on Corporate Management for Sri Lanka (AMP63) conducted by Wharton University of Pennsylvania, USA. He is also an Associate Member of the Institute of Bankers of Sri Lanka.

**Appointment to the Corporate Management**

He was appointed as the General Manager/Chief Executive Officer of Bank of Ceylon on 8 January 2013. Prior to his appointment as General Manager/Chief Executive Officer, he served from October 2010, as the Deputy General Manager in charge of Retail Banking and Sales and Channel Management.

**Positions Held During the Year**

Mr Gunasekara is a Non-Executive Nominee Director on the Boards of several subsidiaries and associate companies of the Bank including Bank of Ceylon (UK) Limited, Merchant Bank of Sri Lanka & Finance PLC, BOC Property Development and Management (Private) Limited, BOC Travels (Private) Limited,

Hotels Colombo (1963) Limited, MBSL Insurance Company Limited, Koladeniya Hydropower (Private) Limited and Ceybank Asset Management Limited. He is a Director of the LankaClear (Private) Limited, Lanka Financial Services Bureau Limited, Credit Information Bureau of Sri Lanka and also chairs the Boards of BOC Management & Support Services (Private) Limited, Ceybank Holiday Homes (Private) Limited, the Sri Lanka Banks' Association (Guarantee) Limited and the Financial Ombudsman Sri Lanka (Guarantee) Limited for the year 2016/17. He is also a member on the Governing Board of the Institute of Bankers of Sri Lanka and a member of the Association of Professional Bankers of Sri Lanka.

He has been appointed as the Vice Chairman of Asia-Pacific Rural and Agricultural Credit Association (APRACA) for 2016/17.

In 2016, he has also been awarded the '100 Global Sustainable Leaders (CEO) Award' by the World Sustainability Congress in Dubai. This award is a recognition of most eminent professional and organisations as superlative Sustainability Leaders.

**Career Milestones**

Mr Gunasekara commenced his career with the Bank in 1983 and over the years, received training and exposure in a number of areas and at different levels concentrating mostly on credit management and administration. He has also served at the London Branch from 1997-2000.

**Mr Senarath Bandara**  
Deputy General Manager –  
Sales and Channel Management

**Skills and Experience**

Mr Bandara is a career banker counting over 27 years of experience in diversified fields, both in local and international banking arena.

He obtained his first degree from University of Kelaniya, Sri Lanka in Physical Science with a Second Class (Upper Division) and Master of Business Administration with a Merit Pass from the Postgraduate Institute of Management, University of Sri Jayawardenepura, Sri Lanka. He is a Fellow member of the Institute of Bankers of Sri Lanka and obtained an Executive Postgraduate Diploma in Bank Management from the same institute, winning the gold medal for the best student in 1998.

**Appointment to the Corporate Management**

He was appointed to the Corporate Management in March 2012. Mr Bandara served as the Deputy General Manager (Product and Development Banking) from January 2013 to July 2016, overseeing the areas of product management, development banking, Islamic banking, electronic banking and card operations. He has been serving as the Deputy General Manager (Sales and Channel Management) since July 2016 and his current portfolio includes formulation of sales strategies for products and services offered by the Bank using different channels and ensuring smooth operation of 580 branch network across the country.

### Positions Held During the Year

He has been serving as a Director on the Boards of Merchant Bank of Sri Lanka & Finance PLC, MBSL Insurance Company Limited and as an alternate Director of Ceybank Holiday Homes (Private) Limited and Koladeniya Hydropower (Private) Limited. He is also a nominee Director of BoC to Regional Development Bank. Mr Bandara serves as a member of the governing Board of the Institute of Bankers of Sri Lanka as well as the current Senior Vice President of the Association of Professional Bankers of Sri Lanka, the premier body of professional bankers in Sri Lanka.

### Career Milestones

Mr Bandara joined the Bank as a Management Trainee in 1990 and gained exposure both locally and abroad mainly in the fields of information systems, investments, treasury management, international banking operations and corporate banking. He successfully spearheaded the process of converting Bank of Ceylon operations in London from branch to a subsidiary when he was the Assistant General Manager (Overseas Branches). Later he served as the Assistant General Manager (International) and Assistant General Manager (Corporate Relations) prior to being appointed as the Chief Executive Officer of Bank of Ceylon (UK) Limited in 2011.

He has been very much a part of the technology driven development projects of the Bank and provided leadership to core banking project upgrade in 2013/14 and the bank-wide transformation project implemented with Boston Consulting Group in 2014/15. He had been a resource person at the Institute of Bankers of Sri Lanka too, in the field of credit and investment management.

Prior to joining the Bank, he was an Assistant Lecturer at the University of Kelaniya, Sri Lanka and also had served at the Mahaweli Authority of Sri Lanka for nearly four years.

**Mr W P Russel Fonseka**  
*Chief Financial Officer*

### Skills and Experience

Mr Fonseka possesses over 27 years of hands-on experience in banking operations with specialised knowledge in financial management and strategic planning.

He is a Graduate of the University of Sri Jayewardenepura, Sri Lanka with a Bachelor of Science (Special) Degree in Business Administration and holds a Postgraduate Diploma in Management from the Postgraduate Institute of Management, University of Sri Jayewardenepura, Sri Lanka and a Master's in Business Administration from the University of Southern Queensland, Australia. He is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka and also an Associate Member of the Institute of Bankers of Sri Lanka.

### Appointment to the Corporate Management

Mr Fonseka has been a member of the Corporate Management of the Bank since March 2012. He held the positions of Deputy General Manager Finance and Planning from March 2012 to May 2013 and April 2015 to December 2016 and Deputy General Manager Retail Banking from May 2013 to April 2015. He is the Chief Financial Officer of the Bank since March 2016 and prior to that he also held the position of Acting Chief Financial Officer of the Bank from July 2014 to March 2016.

### Positions Held During the Year

Mr Fonseka is the Non-Executive Chairman on the Board of Transnational Lanka Records Solutions (Private) Limited since November 2012. He has also been appointed as a Director of Lanka Securities (Private) Limited since April 2016. He has been serving as a Director and as the Chairman of the Audit

Committee of the Property Development PLC from February 2016. Mr Fonseka serves as an Alternate Director on the Board of LankaClear (Private) Limited and also acts as the Chairman of the Audit Committee, a Board Subcommittee of LankaClear (Private) Limited since November 2012. He is a Director on the Board and also acts as the Chairman of the Audit Committee of Merchant Bank of Sri Lanka & Finance PLC, one of the subsidiary companies of Bank of Ceylon, from August 2013. He served as a Director of MBSL Insurance Company Limited from November 2016. He served as a Director on the Board of Mireka Capital Land (Private) Limited and also on the Board of Mireka Homes (Private) Limited for six years from 2008.

### Career Milestones

He joined the Bank as a Management Trainee in January 1990. Commenced his career with retail banking and then specialised in financial management and strategic planning of the Bank, whilst acquiring wide experience in all aspects of commercial banking. He also served in Bank of Ceylon London branch where he obtained comprehensive experience in treasury and international banking activities.

**Mr D P K Gunasekara**  
Deputy General Manager –  
Corporate and Off-Shore Banking

### Skills and Experience

Mr Gunasekara carries more than 37 years of banking experience in different business operations in the Bank.

He is a Bachelor of Science (Business Administration) Graduate of the University of Sri Jayewardenepura, Sri Lanka and holds a Postgraduate Diploma in Business and Finance Administration from the Institute of Chartered Accountants of Sri Lanka. He has also obtained Master's of Business Administration from the University of Southern Queensland, Australia and also possess the Associate Membership of the Institute of Bankers of Sri Lanka. He has also completed the Management Development Programme conducted by the Postgraduate Institute of Management, University of Sri Jayewardenepura, Sri Lanka.

### Appointment to the Corporate Management

He was appointed as the Deputy General Manager (Corporate and Off-shore Banking) in May 2013 and previously held the position of Deputy General Manager (Retail Banking) from February 2013 to May 2013.

### Positions Held During the Year

He has been serving as a Director on the Boards of BOC Management & Support Services (Private) Limited.

### Career Milestones

Mr Gunasekara joined the Bank in 1980 and commenced his career with retail banking, gathering vast experience in the branch network and later on, served in Central Cash and Accounts Departments. In 1992, he joined the Treasury Division as a Dealer and gathered an extensive knowledge gaining experience in treasury and money market operations locally

as well as overseas at Bank of Ceylon Chennai Branch, India during the period from 2000-2003. During 2008-2010 he served as the Deputy Manager of Chennai Branch.

Mr Gunasekara served as the Manager/ Senior Dealer in the BoC Treasury Bills/Bonds Unit and as the first Chief Dealer in the Ceybank Securities Limited which was formed, as a separate entity to exclusively deal with Government Securities. He has covered almost all the positions in the Dealing Room of the Bank. He was one of the pioneer members in setting up of Middle Office in the Bank of Ceylon Treasury Division. Mr Gunasekara also held the positions of Assistant General Manager (Overseas Branches) and Assistant General Manager (Corporate Relations) prior to being appointed to the Corporate Management.

**Mr K E D Sumanasiri**  
Deputy General Manager –  
Human Resource

### Skills and Experience

Mr Sumanasiri possesses 27 years of rich and diversified experience in retail banking, microfinance, corporate finance and human resource development.

He graduated from the University of Sri Jayewardenepura, Sri Lanka with a Bachelor of Science (Hons.) Degree in Business Administration and he is an Associate Member of the Institute of Bankers of Sri Lanka. Mr Sumanasiri has successfully completed the 'Special Management Course for Higher Management and Public Policy for Business Leaders' and also 'Management Development Programme for Key Management Personnel' conducted by the Postgraduate Institute of Management, University of Sri Jayewardenepura, Sri Lanka.

### Appointment to the Corporate Management

Appointed to the Corporate Management in May 2013 and he has been serving as the Deputy General Manager (Human Resource) since December 2016. Prior to that he held the positions of Deputy General Manager (Recovery) from February 2015 to December 2016 and from May 2013 to April 2014 and the Deputy General Manager (Human Resource) from April 2014 to February 2015.

### Positions Held During the Year

Mr Sumanasiri has been serving as an Alternate Director of the Governing Board of Institute of Bankers of Sri Lanka.

### Career Milestones

Commencing his banking career in 1990, Mr Sumanasiri held several key positions while serving in the branch network. He had also been a Faculty Member at the Bank's Training Institute, holding the position of Manager (Training). He readily responded to uplifting the knowledge of the staff and was very instrumental in their career development. Mr Sumanasiri held the position of Assistant General Manager (Northern Province), soon after the three-decade conflict period came to an end in the Northern part of Sri Lanka, and played a lead role in the uplifting of livelihood of the resettled people. He contributed immensely to the boom of the economy of the Northern Province.





**Mr S M S C Jayasuriya**  
Deputy General Manager –  
International, Treasury and Investment

### Skills and Experience

Mr Jayasuriya counting over 30 years of service in the Bank, was in the Domestic banking in the early part of his career and later, specialised in treasury, investment banking and international banking. He graduated from the University of Sri Jayewardenepura, Sri Lanka in 1979 with Bachelor of Science Degree. He is an Associate Member of the Institute of Bankers of Sri Lanka, a Fellow Member of the Chartered Institute of Management Accountants (FCMA) (UK), a Member of the Chartered Global Management Accountants (CGMA) (UK) and also a Member of the Chartered Shipbrokers (MICS) (UK).

### Appointment to the Corporate Management

He was appointed as the Deputy General Manager (Finance and Planning) in May 2013. He assumed duties as Deputy General Manager (International, Treasury and Investment) in March 2015 and his portfolio covers treasury, international banking, investment banking and overseas branches.

### Positions Held During the Year

Mr Jayasuriya serves as a Director on the Boards of Transnational Lanka Records Solutions (Private) Limited and Ceybank Asset Management Limited. He served in the Property Development PLC as a Director and as the Chairman of the Audit Committee. He is also an Alternate Director for BOC Property Development and Management (Private) Limited and Credit Information Bureau of Sri Lanka. He also serves as a Member of the Investment Committee and Assets and Liability Management Committee of the Bank since 2009 and as a Member of the Credit Committee and IT Steering Committee since 2013. He was the Chairperson of the Pension Fund, Provident Fund and Widow/Widower & Orphanage Fund of the Bank from May 2013 – March 2015. Presently

he is the Chairman of the Investment Committee of the Bank. He is a member of the Special Standard Cabinet-appointed Procurement Committee of Ceylon Petroleum Corporation since March 2015.

### Career Milestones

Mr Jayasuriya joined the Treasury Division as a Dealer in 1991 and had gathered extensive knowledge and experience in treasury management during the last 22 years in the Head Office, London Branch and Chennai Branch. He served as the Head of Treasury, Bank of Ceylon Branch in Chennai, India from 1997 to 2000. He has made immense contribution towards the Treasury Division specially, managing the liquidity position of the Bank and maximising foreign exchange income.

Mr Jayasuriya played a very active role in both USD 500 million international bond issues and also was a member of the road show team. In addition, he played key roles in BoC subordinated debenture issues to enhance the Tier II capital and debenture issue of Urban Development Authority. Under his guidance, Bank of Ceylon has raised over LKR 53 billion in eight listed debenture issues thus becoming the largest issuer of debentures in Sri Lanka. His relationship with international banks is vital to mobilise funding through syndicated loans and bilateral facilities in order to manage the liquidity position of the Bank. Mr Jayasuriya was a member of the Executive Committee of the Sri Lanka Forex Association for many years.

Mr Jayasuriya was a member of the Executive Management of the Bank since November 2009. He held the positions of Assistant General Manager (Treasury) and Assistant General Manager (Investment Banking) prior to the appointment to the Corporate Management. He was also the Chief Executive Officer of the Primary Dealer Unit of the Bank.

Before joining the Bank, he worked in the Ceylon Shipping Corporation for five years and ended as an Assistant Manager.

**Mr G L Palitha Jinasoma**  
Deputy General Manager –  
Country Manager – Seychelles

### Skills and Experience

Mr Jinasoma has over 33 years of experience in the banking field, gaining a vast knowledge in domestic and overseas business operations.

He graduated from the University of Kelaniya, Sri Lanka with Bachelor of Arts in Economics, specialising in Statistics. He holds a Master of Arts in Economics from the University of Colombo, Sri Lanka and a Master of Business Administration from the University of Rajarata, Sri Lanka. He has followed a Certificate Course in 'Advertising' under 'SPAACS' which was recognised by Accredited Association of Advertising Agencies (4A's) of Sri Lanka. He is also an Associate Member of the Institute of Bankers of Sri Lanka.

### Appointment to the Corporate Management

Mr Jinasoma has been a member of the Corporate Management of the Bank since June 2014. He served as the Deputy General Manager (Sales and Channel Management) from June 2014 to July 2016 and has been entrusted with the portfolio of Country Manager (Seychelles Branch) on a special mission for streamlining of business operations and regulatory framework of the Seychelles Branch since July 2016.

### Career Milestones

Joining the Bank in 1983, Mr Jinasoma rose up in the career, holding several key positions in the Bank. He was able to gain a vast knowledge and experience in lending, while serving to retail and corporate customers of the Bank throughout the country. He also served in BoC Chennai branch, India and BoC Malé Branch, Maldives and obtained an excellent exposure in credit management.

He also served as a visiting resource personal/ faculty member of the Training Institute of Bank of Ceylon on ‘Credit’, ‘Leadership Development’ and ‘Business Plan/Business Strategies’ Programmes.

Mr Jinasoma held the position of Assistant General Manager (Uva Province) and played a leading role in uplifting the branch performance in Uva Province. He was the Country Manager of the Chennai Branch, India before he assumed duties as the Deputy General Manager (Sales and Channel Management).

**Mr S Hewavitharana**  
Deputy General Manager –  
Support Services

**Skills and Experience**

Mr Hewavitharana is a career banker counting 33 years of service in diversified fields, gaining a vast knowledge in domestic and overseas business operations. He graduated from the University of Colombo, Sri Lanka with a Special Degree in Economics. He is an Associate Member of the Institute of Bankers of Sri Lanka and also holds a Postgraduate Diploma in Business Administration from the University of Ruhuna, Sri Lanka.

**Appointment to the Corporate Management**

He was appointed as the Deputy General Manager (Support Services) in November 2015.

**Positions Held During the Year**

Mr Hewavitharana serves as a Director on the Board of Ceybank Holiday Homes (Private) Limited.

**Career Milestones**

Having joined the Bank in 1983, Mr Hewavitharana held several key positions while serving in the branch network. He had also been a Faculty Member at the Bank’s Central Training Institute, Maharagama and later held the position of Senior Manager (Training).

He contributed immensely in developing soft skills development programmes obtaining assistance from external resource personnel during the period. He had taken initiative in establishing the Premier Branch at the Bank and make a notable contribution as the first Chief Manager to the same. He also served in BoC Chennai branch as a Deputy Manager and obtained an excellent exposure in international banking and corporate banking. He initiated conversion of Core Banking System of BoC Chennai into parent Bank’s core banking system, having number of discussions with Reserve Bank of India Officials, successfully.

Mr Hewavitharana held the position of Assistant General Manager in Uva and Central Provinces playing a leading role in uplifting banking business as well as morale of staff before assuming the duties as the Deputy General Manager (Support Services).

**Ms Janaki Senanayake Siriwardane**  
Secretary, Bank of Ceylon/  
Secretary to the Board

**Skills and Experience**

Counting over 21 years of experience in the Bank, Ms Siriwardane specialises in Company secretarial work and corporate governance practices.

Ms Siriwardane is an Attorney-at-Law by profession and holds a Bachelor’s Degree in Law. She also holds a Master’s Degree in Business Administration from the University of Colombo, Sri Lanka.

**Appointment to the Corporate Management**

Ms Siriwardane was appointed to the Corporate Management in October 2010.

**Positions Held During the Year**

She is the Company Secretary of Ceybank Holiday Homes (Private) Limited and BOC Management & Support Services (Private) Limited.

**Career Milestones**

Ms Siriwardane joined the Bank in January 1996 as its Assistant Secretary to the Board. She was appointed as Secretary, Bank of Ceylon/Secretary to the Board in November 2005.

In addition to her work as the Secretary, Bank of Ceylon/Secretary to the Board, she serves as the Secretary to all the Subcommittees of the Board. She facilitates Bank’s compliance with the Corporate Governance Rules and Practices.

Prior to joining Bank of Ceylon, she practiced as an Attorney-at-Law in the private Bar. She also worked in several private sector companies handling company secretarial work including IPOs, mergers etc., and carried out legal and human resource work. She was a visiting Lecturer in Commercial and Industrial Law at the Industrial Management Department of the University of Kelaniya, Sri Lanka.

**Mr D N L Fernando**  
Chief Risk Officer

**Skills and Experience**

Mr Fernando is a career Banker with around 31 years of experience spanning to almost all areas in the Bank. His experience is mainly revolved around branch-related banking, with overseas branch exposure, twice in London, UK and once in Karachi, Pakistan.

He graduated from the University of Colombo, Sri Lanka with a Bachelor of Science Degree in Mathematics and also represents the Alumni of the University of Colombo. He is an Associate Member of the Institute of Bankers of Sri Lanka as well.

**Appointment to the Corporate Management**

Mr Fernando was appointed as a Deputy General Manager in December 2015 and designated as the Chief Risk Officer from January 2016.

**Career Milestones**

In his early career, he was serving in branches in various capacities in Central and Uva Provinces. Later, he served in the Recovery Unit and Product and Development Banking Unit at the Head Office, where some innovative products and services were introduced during the time. He also had one year training at the London branch in 1995 and had an overseas exposure for three years in then Karachi branch of Bank of Ceylon in Pakistan. He was also the Assistant General Manager-in-charge of Western Province South, the largest Province of the Bank, for four years. He was the Chief Executive Officer of Bank of Ceylon (UK) Limited for three years, before taking up the assignment as the Chief Risk Officer of the Bank.

As the Chief Risk Officer, he has been instrumental in changing the risk culture, widening the scope of risk management in the Bank and overhauling the reporting on Bank's risk profile at various levels.

**Mr M M Luxaman Perera**  
*Head of Information Technology*

**Skills and Experience**

Counting over 31 years in the banking career, he has gained a wide range of experience in ICT in different capacities.

Mr Perera is a Science Graduate from the University of Colombo, Sri Lanka. He holds a Master of Science in Computer Science and also a Master of Business Administration from the University of Colombo, Sri Lanka. He is a Fellow Member of the Computer Society of Sri Lanka and a Member of the British Computer Society, too.

**Appointment to the Corporate Management**

He was appointed as the Head of Information Technology in August 2013.

**Positions Held During the Year**

He has been serving as the Chairman of Banks' CIO Forum and a member of the FINCSIRT Steering Committee.

**Career Milestones**

Mr Perera joined the Bank in 1986 as a Systems Analyst Programmer. He commenced his career with Core Banking Application Systems. His experience was enriched through his active involvement in multiple ICT projects. Prior to being appointed to the Corporate Management he held the position of Assistant Director – Information Technology (Application Systems).

He has also served at the Standard Bank of South Africa during the period from 1996-97.

**Ms Gaya Jayasinghe**  
*Chief Legal Officer*

**Skills and Experience**

Ms Jayasinghe is an Attorney-at-Law and Notary Public with a Post-Attorney Diploma in International Trade Law. She counts more than 33 years of experience in the legal field and possesses over 30 years of experience at Bank of Ceylon. She is also a member of the Bar Association of Sri Lanka and Association of Corporate Lawyers of Sri Lanka.

She has significant exposure and experience in credit documentation and banking law. She has also undergone international training in the fields of Advance Loan Documentation and Law and Practice of Guarantees and Stand-by Letters of Credit in International Trade in Singapore and Hongkong conducted by Euro Money Training Asia Pacific.

**Appointment to the Corporate Management**

Ms Jayasinghe was appointed as the Chief Legal Officer of Bank of Ceylon in June 2016.

**Career Milestones**

She joined the Bank in July 1986 as an Assistant Legal Officer and commenced her career in the Legal Department. She got the opportunity to serve in several Provincial Legal Units and acquired wide

experience in credit and recovery fields, all aspects of Banking Law and other laws relating to commercial transactions. She contributed tremendously to the Corporate Division as the Senior Legal Officer from 2005 to 2012 where she gained immense knowledge in legal work relating to syndicate facilities, ship mortgages and trade finance activities of the Bank. She served as the Deputy Chief Legal Officer (Credit) from 2012 to 2016 prior to being appointed as the Chief Legal Officer.

Ms Jayasinghe also serves as a Visiting Lecturer on Commercial and Banking Law at the Central Bank Training Institute.

**Mr C Amarasinghe**  
*Deputy General Manager – Retail Banking – Range II*

**Skills and Experience**

Mr Amarasinghe counts over 27 years of experience in the Bank with diversified knowledge in branch banking and in corporate and offshore banking.

He is a Graduate from the University of Sri Jayewardenepura, Sri Lanka with a Bachelor of Science (Special) Degree in Public Administration and holds a Master of Science Degree in Management from the same university.

He is also an Associate Member of the Institute of Bankers of Sri Lanka.

**Appointment to the Corporate Management**

Mr Amarasinghe was appointed as the Deputy General Manager (Retail Banking) in July 2016 and was entrusted with the portfolio of Deputy General Manager (Retail Banking-Range II) from February 2017.

**Positions Held During the Year**

Mr Amarasinghe has been serving as an Alternate Director on the Board of BOC Travels (Private) Limited and as the Treasurer of the Association of the Professional Bankers of Sri Lanka.

### Career Milestones

Mr Amarasinghe joined the Bank in 1990 as a Management Trainee, commencing his career with retail banking. Later, he joined the Corporate and Offshore Banking Division and gained an extensive knowledge and experience in every aspect of corporate and offshore banking operations while immensely contributing to the uplifting of the business, delighting the corporate clientele of the Bank.

Prior to being appointed as the Deputy General Manager (Retail Banking), he had served as the Assistant General Manager (Offshore Banking) and Assistant General Manager (Corporate Relations).

**Mr M J P Salgado**  
Deputy General Manager –  
Product and Banking Development

### Skills and Experience

Mr Salgado counts over 27 years of experience at Bank of Ceylon, especially in areas of retail banking, province sales management and product and development banking.

He is a Graduate with a Bachelor of Commerce (Special) Degree from the University of Sri Jayewardenepura, Sri Lanka. He is an Associate Member of the Institute of Bankers of Sri Lanka and a Member of the Association of Accounting Technicians of Sri Lanka as well. Mr Salgado also possesses the Licentiate Certificate from the Institute of Chartered Accountants of Sri Lanka.

### Appointment to the Corporate Management

He was appointed as the Deputy General Manager (Product and Banking Development) in July 2016. His current business portfolio includes product management, Islamic financing, development banking, electronic banking and credit/debit cards operations.

### Career Milestones

Joining the Bank in January 1990 as a Management Trainee at Nuwara Eliya Branch, Mr Salgado rose up in the career holding several key positions of the Bank while, obtaining a vast knowledge in domestic banking and credit card operations of the Bank.

Mr Salgado held the position of Assistant General Manager (Province Sales Management) prior to being appointed as the Deputy General Manager (Product and Banking Development) and immensely contributed in the operations of ISSP Implementation Unit, Special Project, BoC Contact Centre, BoC Premier, and BoC Assurance Department that came under his supervision. He was also an active member of the 'Wenasa' Transformation Project of the Bank.

**Mr R M D Vipula Jayabahu**  
Deputy General Manager –  
Finance and Planning

### Skills and Experience

Mr Jayabahu carries more than 27 years of banking experience in different business operations in the Bank.

Graduated from the University of Kelaniya, Sri Lanka with a Bachelor of Commerce (Special Degree) and holds a Postgraduate Diploma in Business and Financial Administration from the Institute of Chartered Accountants of Sri Lanka. He has obtained Master's of Business Administration in Finance from the University of Southern Queensland, Australia and has also successfully completed the Management Development Programme conducted by the Postgraduate Institute of Management, University of Sri Jayewardenepura, Sri Lanka.

### Appointment to the Corporate Management

He was appointed as the Deputy General Manager (Finance and Planning) in November 2016.

### Positions Held During the Year

He is an Alternate Director on the Board of Hotels Colombo (1963) Limited.

Mr. Jayabahu is a member of the Asset and Liability Management Committee, Credit Committee, Investment Committee, Human Resource Policy Committee and several other management committees in the capacity of DGM (Finance and Planning) and he was a member of the Disciplinary Authority Committee of the Bank too. He also serves as the Secretary of the Sustainability Committee of the Bank.

### Career Milestones

Joining the Bank of Ceylon in 1990 as a Management Trainee and commencing the banking career with rural banking and thereafter retail banking, Mr Jayabahu has specialised in strategic planning and contributed in developing several Corporate Plans of the Bank.

He was one of the team leaders in implementing the project of on-line real time core banking solution of the Bank and actively involved in IFRS implementation project, core banking system upgrading project and several other system implementation projects of the Bank, guiding team members and imparting his knowledge and experience.

Prior to being appointed as a member of the Corporate Management, Mr Jayabahu represented the Executive Management of the Bank in the capacity of Assistant General Manager (Budget, Strategic Planning and MIS) from August 2012 to November 2016.

Mr Jayabahu had also served in Export Development Board as a Trainee Officer and in Corporate Wholesale Establishment (CWE) as an Assistant Accountant, prior to joining Bank of Ceylon.

**Mr M T M Jalaldeen**  
Deputy General Manager –  
Organisation Transformation

### Skills and Experience

Mr Jalaldeen carries more than 27 years of experience in the Bank and now has become versatile in acquiring hands-on experience in different areas in the banking operations.

He is a Graduate of the University of Jaffna, Sri Lanka with a Bachelor of Science (Special) Degree in Mathematics and holds a Postgraduate Diploma in Banking and Finance from the Institute of Chartered Accountants of Sri Lanka and a Diploma in Islamic Banking from the Institute of Bankers of Sri Lanka. He is also an Associate Member of the Institute of Bankers of Sri Lanka.

Having worked in different capacities at different geographical locations, he possesses vast experience in branch banking and human resource operations. He is a Techno Banker with extensive skills in handling projects especially, that are related to technology intense applications for banking operations.

### Appointment to the Corporate Management

He was appointed to the Corporate Management in November 2016 and is entrusted with the portfolio of organisation transformation and designated as Deputy General Manager (Organisation Transformation).

### Career Milestones

Having joined the Bank of Ceylon in 1990 as a Management Trainee, Mr Jalaldeen has risen up in the career ladder gradually and served as the second in command, being the Deputy Manager at the Chennai Branch for two years since October 2010. On his return, he was appointed as the Compliance Officer of the Bank. He has served as the Assistant General Manager (Human Resource

Operations) since March 2013 for one and a half years and handled in parallel, the version upgrade of the Core Banking System of the Bank. He was also serving for more than two years since July 2014 as the Project Manager for the game changing initiatives that were kicked off under Organisation Transformation.

**Mr D M L B Dassanayake**  
Deputy General Manager –  
Retail Banking – Range I

### Skills and Experience

Counting over 34 years of dedicated services, gaining exposure both locally and overseas, Mr Dassanayake has obtained overall experience in retail banking, corporate financing and international operations.

Mr Dassanayake is a Graduate from the University of Peradeniya, Sri Lanka with Bachelor of Arts (Economic Special) Degree. He holds a Postgraduate Diploma in Business and Financial Administration from the Institute of Chartered Accountants of Sri Lanka and also a Master's Degree in Business Administration from Mahatma Gandhi University, India. He is also an Associate Member of the Institute of Bankers of Sri Lanka.

### Appointment to the Corporate Management

Appointed to the Corporate Management in December 2016 entrusting the portfolio of Country Manager (Malé Branch) and designated Deputy General Manager (Retail Banking – Range I) in February 2017.

### Career Milestones

Commencing his banking career in 1982, Mr Dassanayake has gained experience in almost all segments in the banking business, specialising in corporate banking and international operations with nine years in key positions in overseas branches.

His career path at the Corporate Segment began as a Relationship Officer in 1992 and subsequently he was assigned to Bank of Ceylon (UK) Limited in 2000, where he served as the in-charge of Trade Finance Operations.

Mr Dassanayake also rendered his duties as the Deputy Country Manager of Malé Branch. In 2011, he was assigned backed to the Corporate Credit Division as a Relationship Manager and was appointed to the Executive Management of the Bank as the Assistant General Manager (Corporate Credit) prior to being appointed as the Country Manager – Malé Branch.

**Mr W A C Tissera**  
Deputy General Manager – Recovery

### Skills and Experience

Counting over 38 years of extensive service in the Bank, Mr Tissera has gained vast experience in development banking and microfinance and has been promulgating his specialised knowledge in lending, in the fields of agriculture, fisheries and livestock.

He is an Associate Member of the Institute of Bankers of Sri Lanka and has also obtained the Postgraduate Executive Diploma in Bank Management from the same Institute.

### Appointment to the Corporate Management

Being appointed to the Corporate Management in December 2016, he held the position of Acting Deputy General Manager (Recovery) and since February 2017, he has been entrusted with the portfolio of Deputy General Manager (Recovery).

### Positions Held During the Year

Serves as a Director on the Board of BOC Management & Support Services (Private) Limited, a subsidiary company of Bank of Ceylon.

**Career Milestones**

Commencing the banking career in 1978, Mr Tissera has actively engaged in development banking operations; especially in project lending. He was selected by the Central Bank of Sri Lanka to serve at the 1st Regional Rural Development Bank – Kalutara for five consecutive years to fulfil a secondment service.

He has also been instrumental in conducting Microfinance Training Programmes, such as ‘Capacity Building/Skills Development’ and ‘Entrepreneurship Development’, divulging his specialised knowledge and hands-on experience throughout the branch network and at the Central Training Institute of the Bank.

Mr Tissera also served as a Director on the Boards of Agricultural and Agrarian Insurance Board and National Fisheries Federation and prior to being appointed to the Corporate Management, he served as the Assistant General Manager (Development Banking) of the Bank for five years.

**Dr Indunil Liyanage**  
Chief Marketing Officer

**Skills and Experience**

Having served for many organisations in the field of marketing since 1989, Dr Indunil Liyanage counts over 27 years of experience in financial services industry, fast moving consumer goods (FMCG), electronics and agriculture sectors in Sri Lanka.

Dr Indunil Liyanage is professionally and academically qualified in three different disciplines namely Marketing, Management and Finance. Dr Liyanage holds a Doctor of Philosophy (PhD) from the Faculty of Graduate Studies (FGS), University of Colombo, Sri Lanka. He has a Master of Science (MSc) in Management from the University of Sri Jayewardenepura, Sri Lanka. He also holds a Postgraduate Diploma

in Marketing from the Chartered Institute of Marketing (UK) and is a Certified Management Accountant (CMA) of ICMA (Australia).

Dr Liyanage is a Chartered Marketer since 1997, attached to the first batch of Chartered Marketers in Sri Lanka and a Fellow Member of the Chartered Institute of Marketing (FCIM) and a Fellow Member of the Sri Lanka Institute of Marketing (FSLIM). He is a Member of the Chartered Institute of Marketing (UK) since 1995 and a Member of Alumni Associations of the University of Sri Jayewardenepura (AAUSJP), University of Colombo (AAUOC) and Faculty of Graduate Studies of University of Colombo (AAUOC – FGS). He has participated in many international training programmes including ‘Strategic Management Executive Programme’ which was held at the National University of Singapore (NUS) in 2009.

**Appointment to the Corporate Management**

Appointed as the Chief Marketing Officer (CMO) of Bank of Ceylon in September 2012.

**Positions Held During the Year**

Dr Indunil Liyanage is the Chairman of the Marketing Committee of the Bank.

**Career Milestones**

Prior to joining Bank of Ceylon, Dr Liyanage has served as the Assistant Vice President – Head of Marketing at National Development Bank PLC, Sri Lanka. He has also held senior positions previously in multinationals and local organisations in the capacity of Product/ Brand Manager and Marketing Manager. Throughout his marketing career he has built several key international and local brands/products in the country.

Dr Liyanage was awarded with prestigious National APEX Award 2016 (Pinnacle Award 2016) for Marketing by the Organisation of Professional Associations of Sri Lanka (OPA). He was honoured in the ‘Most Influential Marketing Leaders Listing’ at the World

Marketing Congress 2015 in Mumbai, India and also honoured with the ‘50 Most Talented CMOs Award’ at the Golden Globe Tiger Awards 2013, World Marketing Summit held in Malaysia and was the first Sri Lankan selected for the ‘Intercultural Education for Global Managers’ Programme at the Japan – America Institute of Management Science (JAIMS) in Hawaii, USA. He was awarded a full scholarship by the Fujitsu Foundation of Japan to complete this programme, in recognition of his academic excellence and potential contribution to international understanding and goodwill in 1996.

**Mr P M Liyanage**  
Chief Internal Auditor

**Skills and Experience**

Mr Maduwantha Liyanage is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka with 16 years of post-qualified experience.

He holds a Bachelor of Science (Special) Degree in Accountancy and Financial Management from the University of Sri Jayewardenepura, Sri Lanka. Mr Liyanage is also a member of the Certified Information Systems Auditors (CISA) of ISACA – USA.

**Appointment to the Corporate Management**

Appointed as the Chief Internal Auditor of Bank of Ceylon in December 2014.

**Career Milestones**

Prior to joining Bank of Ceylon as the Chief Internal Auditor, he has served at the Commercial Credit and Finance PLC and Pan Asia Bank in the same capacity. Mr Liyanage has also served at Bank of Ceylon in the capacity of an Assistant General Manager during the period from 2006 to 2008 as the Internal Auditor.

Mr Liyanage’s exposure also includes LankaClear (Private) Limited (National Cheque Clearing House) in the capacity of Finance and Administration Manager and Ernst and Young as a Qualified Assistant.



**Mr P C Wickramapathirana**  
*Head of Technology Transformation*

**Skills and Experience**

Mr Chandralal Wickramapathirana is an IT Professional with over 30 years of experience in IT leadership, management and technology transformation. He has held several IT Directorial and Corporate Managerial level positions for over 25 years in many diverse business sector organisations including banking and finance. His past work experience in IT leadership/management includes large Sri Lankan conglomerates and multinational companies too.

He holds a Master's Degree in Information Systems from Sikkim Manipal University, India and Postgraduate qualifications in IT from University of Keele, UK and in Corporate Management from Postgraduate Institute of Management, University of Sri Jayewardenepura, Sri Lanka. He also holds an Applied International Diploma from Swedish Institute of Management (IFL), Sweden and is part qualified in Chartered Institute of Management Accountants, UK.

**Appointment to the Corporate Management**

Mr Wickramapathirana was appointed as the Head of Technology Transformation of Bank of Ceylon in July 2016.

**Career Milestones**

Prior to joining Bank of Ceylon, Mr Wickramapathirana held the position of Chief Information Officer at Amāna Bank PLC for over five years where he was instrumental in setting up the required IT systems and infrastructure for the Bank. He held the position of Head of Information Technology at Amāna Investments Limited previously. He has served as the National IT Consultant of an international agency of the United Nations during which time he got a good exposure in dealing with Government Ministries and Departments. He has also been the Managing Director/CEO of a

Sri Lankan IT software and solutions company. Prior to that, he held the post of Group IT Director of a large Colombo-based blue-chip group of companies and also has served as a Director on the Boards of several subsidiaries as well.

Mr Wickramapathirana was a founder member of the Banks' CIO Forum and served as its Secretary in the years 2013/14 and 2014/15. He was the President of Sri Lanka Association for the Software Industry (SLASI) in 2005/06, an Executive Council Member representing Sri Lanka in Asia Pacific ICT Awards International (APICTA), a Board Director of Federation of Information Technology Industry Sri Lanka (FITIS) and an Executive Council Member of INFOTEL Lanka Society.



## Executive Management



**H S Jayawardana**  
*Assistant General Manager –  
Consumer Product Management*



**W I Hettihewa**  
*Assistant General Manager –  
Southern Province*



**S M W Samarakoon**  
*Assistant General Manager –  
International*



**G H Wickremasinghe**  
*Assistant General Manager –  
Overseas Branches*



**G A Jayashantha**  
*Assistant General Manager –  
Western Province South*



**R P D K Ratnasinghe**  
*Assistant General Manager –  
Corporate Credit*



**A De S Pinnaduwa**  
*Assistant General Manager –  
Compliance*



**T M T Tennakoon**  
*Assistant General Manager –  
Uva Province*



**J A A Jayasinghe**  
*Assistant General Manager –  
Training and Development*





**W N P Surawimala**  
*Country Manager – Chennai*



**K T A E De Silva**  
*Assistant General Manager –  
BOC Card Centre*



**S A Hemajith**  
*Assistant General Manager –  
Metropolitan*



**E M Jayaratne**  
*Assistant General Manager –  
Province Sales Management*



**T A D Kularatne**  
*Assistant General Manager –  
Corporate Relations*



**D S Muthukudaarachchi**  
*Assistant General Manager –  
Offshore Banking*



**B Nanthakumar**  
*Assistant General Manager –  
Recovery Provinces*



**D R L Perera**  
*Assistant General Manager –  
Recovery Corporate*



**Y P Warnasekara**  
*Assistant General Manager –  
Human Resource Operations*



**Y A Jayathilaka**  
*Assistant General Manager –  
Business Process Re-Engineering Project*



**A R F John Pulle**  
*Chief Executive Officer –  
Bank of Ceylon (UK) Limited*



**V S Wickramarachchie**  
*Assistant General Manager –  
Treasury*



**G R De Silva**  
*Assistant General Manager –  
Treasury Back Office*



**M D Chandrasena**  
*Assistant General Manager –  
Investigations*



**W W R W M Cyril Bandara**  
*Assistant General Manager –  
Credit Audit*



**H M M B Herath**  
*Assistant General Manager –  
Sabaragamuwa Province*



**W B P Ratnayake**  
*Assistant General Manager –  
Western Province North*



**P D R Mahanama**  
*Assistant General Manager –  
Accounting and Tax*



**M M Nimal Ananda**  
*Assistant General Manager –  
Information Systems Audit*



**Bankers to the Nation**

➤ Showing the Way

📌 Executive Management



**R P S Rajapaksa**  
Assistant General Manager –  
Central Province



**A W Vithanage**  
Assistant General Manager –  
Support Services



**Jagath Kurundukumbura**  
Assistant Director –  
IT (Operations/Technical Support)



**M D A Karunaratne**  
Assistant Director –  
IT (Delivery Channel)



**H M C M Maldeni**  
Assistant Director –  
IT (Application Systems)



**D M K S Dissanayake**  
Assistant General Manager –  
Eastern Province



**R R Kodituwakku**  
Assistant General Manager –  
North Central Province



**M H S Mala**  
Assistant General Manager –  
Investment Operations



**M J Prabaharan**  
*Assistant General Manager – Northern Province*



**H P K Silva**  
*Assistant General Manager – North Western Province*



**A M R D Subasinghe**  
*Assistant General Manager – Pettah Branch*



**H W Thilakeratne**  
*Assistant General Manager – Marketing*



**P P M Wijesekara**  
*Assistant General Manager – Administrative Services*



**B K Gurusinghe**  
*Country Manager – Malé*



**A D S Indrani**  
*Assistant General Manager – Trade Services*



**M P Ruwan Kumara**  
*Assistant General Manager – Designated*



**W Ranjith**  
*Assistant General Manager – Designated*



# Corporate Governance

“Corporate governance involves a set of relationships between a company’s management, its board, its shareholders and other stakeholders. Corporate governance also provides the structure through which the objectives of the company are set, and the means of attaining those objectives and monitoring performance are determined.” –

*OECD Principles of Corporate Governance*

Our corporate governance is one of our strengths that has helped to bring us to the position we occupy within the Banking industry in Sri Lanka. We give great importance to adhering to best-in-class corporate governance practices. It guides us in all aspects of our operations, including the manner in which we interact with our stakeholders, in order to ensure transparency and conformance with applicable rules and regulations. When the new Basel III capital requirements issued by the Central Bank of Sri Lanka come into effect in 2017, Bank of Ceylon will be classified as a domestic systemically important bank. Thus, the Board of Directors realises the responsibility it carries in maintaining the soundness of the Bank vis-à-vis the soundness of the domestic banking sector. The governance standards that we have been following make us stand out in the industry.

Taking into cognisance the fact that we are a state entity, with higher level of accountability, every effort is made to conduct all operations in a fully transparent manner.

The Board of Directors, led by the Chairman, has the overall responsibility for the sound operation of the Bank including shaping the business strategy and formulating the policies. At the apex of the governance structure, the Board sets the tone for the culture, risk management, compliance, control environment and other related areas taking into account the interests of the shareholder, the depositors and other stakeholders. The well-experienced Board, with its diverse exposure, provides the necessary expertise to lead the Bank. A formal Code of Conduct is in place to guide the Board in their activities. The Board also directs the formulation of the policies and procedures to comply with applicable laws and regulations. It also exercises oversight over the management of the affairs of the Bank with the assistance of the Board Subcommittees. To facilitate its decision-making process, proper flow of information to the Board by way of an effective management information system is in place.

The Board Subcommittee meetings are convened on a regular basis to deliberate on matters coming under the purview of each Subcommittee.



**Achieving the hallmark ‘Triple Trillion’ was no easy feat, it involved many hours of strategising and planning as well as meticulous execution. However, in order for this achievement to be meaningful, it needs to be sustainable in the long run. Our compliance with the governance framework ensures the sustainability of our achievements.**

## The Role of Corporate Governance in the 'Triple Trillion'

Achieving the hallmark 'Triple Trillion' was no easy feat, it involved many hours of strategising and planning as well as meticulous execution. However, in order for this achievement to be meaningful, it needs to be sustainable in the long run. Our compliance with the governance framework ensures the sustainability of our achievements. We have set ourselves the highest standards in all our operations and encourage as well as expect our employees to follow the highest ethical and professional

standards throughout our day-to-day activities. Our commitment to transparency and timely disclosures will assist our stakeholders in assessing the financial condition and soundness of the Bank.

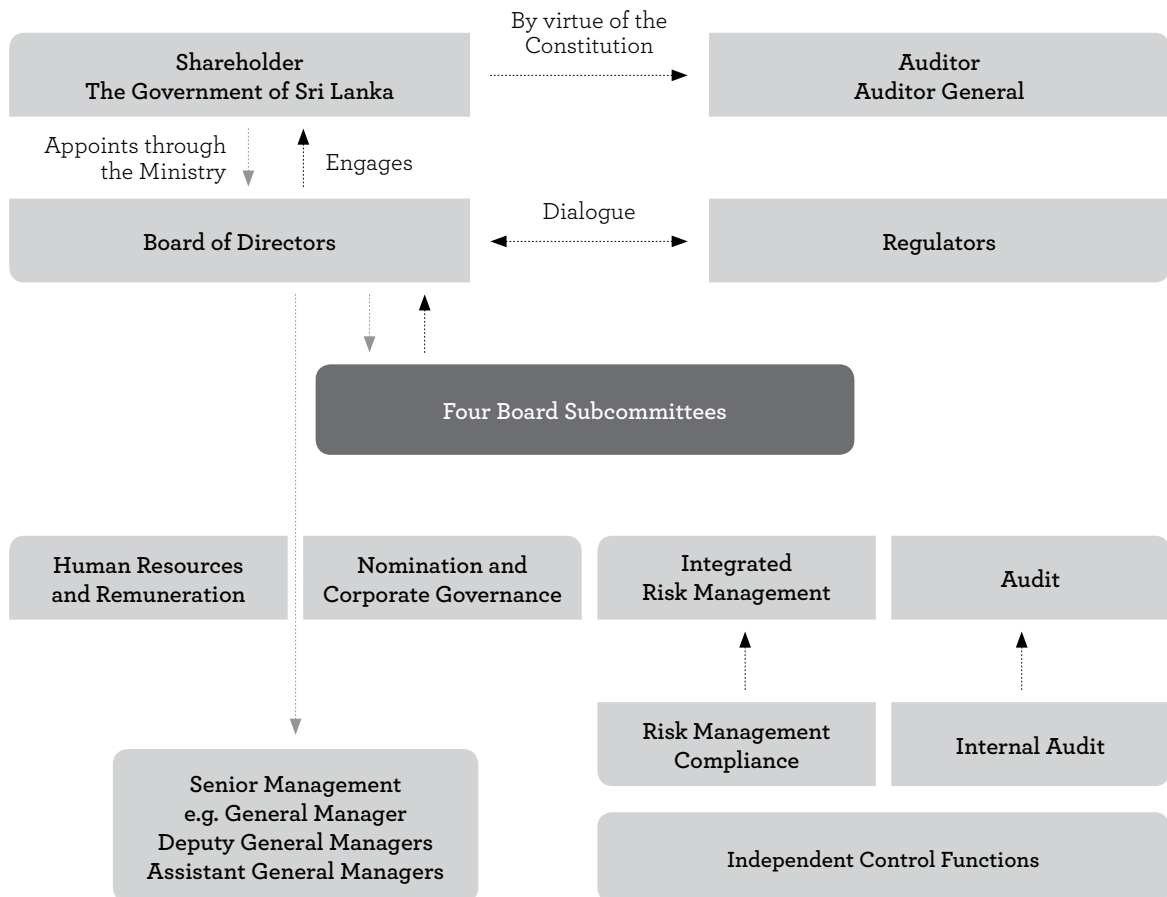
### Regulatory Framework

Being a licensed commercial bank, BoC is subject to the prudential supervision of the primary banking regulator, the Central Bank of Sri Lanka. As such, the regulatory framework applicable to BoC mainly consists of the Banking Act No. 30 of 1988 and amendments thereto, regulations issued under the Banking Act, particularly Direction No. 11 of 2007

on Corporate Governance. The Bank of Ceylon Ordinance No. 53 of 1938 and its amendments also constitute a part of the regulatory framework. In addition, the Bank voluntarily complies with the Code of Corporate Governance issued jointly by The Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission. Bank is exempted from disclosure of compliances as stipulated in Section 7.10 of the Continuing Listing Requirements on Corporate Governance.

Assurance on compliance to the Regulator has been obtained from the Auditor General of Sri Lanka.

## Governance Structure of the Bank



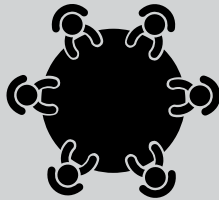
### Compliance with Banking Act Direction No. 11 of 2007 on Corporate Governance

Specific disclosures in terms of the above regulations are provided on pages 294 to 315 of this Report and form an integral part of this report on Corporate Governance.





Compliance with Code of Best Practice on Corporate Governance issued by The Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka



**The Board**

*The Board is the highest decision-making body of the Bank which is responsible for overall strategy and governance.*

The Board is headed by a Chairman and the composition of the Board is laid down in the Bank of Ceylon Ordinance No. 53 of 1938 and its amendments. The Board's roles and responsibilities including a schedule of powers reserved for the Board are laid down in the Board Charter. The main responsibilities of the Board include setting strategic direction, financial reporting, corporate governance, safeguarding the Bank and overseeing the business & affairs of the Bank.

The Secretary, Bank of Ceylon/Secretary to the Board plays a vital role in maintaining high standards in corporate governance ensuring the proper conduct of Board meetings, procedural correctness and in assisting in complying with statutory requirements.



**Chairman and Chief Executive Officer (General Manager)**

*The positions of the Chairman and the Chief Executive Officer, also referred to as the General Manager, have been separated to maintain a balance of power and authority.*

The roles are clearly defined in the Board Charter. The Chairman is an Independent Non-Executive Director while the CEO is not a member of the Board. The CEO is tasked with delivery of strategies as set out in the Bank's Corporate Plan and any other financial and non-financial targets decided on by the Board. This includes short, medium-term and long-term objectives which are generally set at the beginning of the year.



**Chairman's Role**

*The Chairman provides leadership to the Board and facilitates the effective function of the Board.*

He is also responsible for ensuring the effective participation of all members of the Board. He maintains open lines of communication with Key Management Personnel and acts as a sounding Board on strategic and operational matters. He ensures that all Directors gain accurate briefings on issues that are to be discussed at Board meetings, by directing all management personnel to provide the relevant information, comprehensively and in advance.



**Board Balance**

*The Board comprises six Non-Executive Directors appointed by the Minister in Charge of State Banks, of whom five are Independent Directors.*

A representative of the Ministry of Finance is the Ex-officio Director. The independence of the Directors are recognised based on the criteria specified in the Banking Act Direction No. 11 of 2007. The Directors are of diverse skills and experience. Board minutes are prepared in order to record any concerns of the Board or individual Directors regarding any matters.



**Supply of Information**

*The Chairman ensures that all Directors gain accurate briefings on issues that are to be discussed at Board meetings.*

The Chairman directs all management personnel to provide the relevant information, comprehensively and well in advance. This should include both qualitative and quantitative information. Directors are normally expected to attend all the Board meetings. However, in the event they are unable to attend due to a legitimate reason, they are kept aware of the proceedings by circulating the minutes and by other means.



**Appointments to the Board**

*Being a state-owned bank all Directors are appointed by the Minister in charge of the Bank.*

There were no major changes to the Board in 2016. All details of the members of the Board are given on pages 38 to 41. Directors are meant to serve a maximum of nine years as per the provision of the Banking Act Direction No. 11 of 2007. Ms Pushpa Wellappili, Ex-officio Director representing the Ministry of Finance ceased to be a Director on 31 March 2016 with her retirement from public service and Mr Sajith R Attygalle was appointed as the Ex-officio Director.



### Appraisal of Board Performance

*The Board annually appraises its own performance to ensure that they are discharging their responsibilities satisfactorily.*

This process is for each Director to fill a Performance Evaluation Form. The responses are collated and submitted to the Board. Evaluation for 2016 was carried out in early 2017. The Board Subcommittees also complete Performance Evaluation Forms and submit them to the Board.



### Disclosure of Information in Respect of Directors

*In line with the Bank's policy of being extremely transparent the following information on Directors is disclosed in the following pages:*

Name, qualifications, expertise, material business interests and brief profiles on pages 38 to 41 and 140 and 141.

Related party transactions on pages 262 to 267

Membership on Subcommittees on pages 38 to 41.

Attendance at Board and Subcommittee meetings on page 66.



### Appraisal of General Manager/Chief Executive Officer

*The CEO is tasked with delivery of strategies as set out in the Bank's Corporate Plan and any other financial and non-financial targets decided on by the Board.*

This includes short, medium-term and long-term objectives which are set at the beginning of the year, and necessitates having a clear understanding of the expectations required from him. The General Manager has been appraised of the expected results for the Bank for 2017, at the time of reporting.

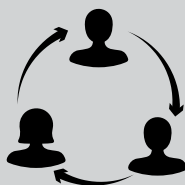
Evaluation for the Year 2016 has been carried out assisted by the Human Resources and Remuneration Committee.



### Remuneration Procedure

*All Directors' remuneration is decided on in accordance with circulars and letters issued by the Government and incorporated into the Directors' Remuneration Policy.*

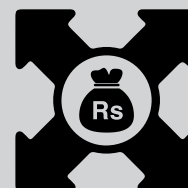
No Director is involved in determining his/her remuneration. The Human Resources and Remuneration Committee makes recommendations to the Board regarding the remuneration of the General Manager and Key Management Personnel, which are reviewed every three years. Based on these recommendations, the Board makes recommendations to the subject Minister who grants final approval.



### Communication with Shareholders

*The sole shareholder of the Bank is the Government of Sri Lanka and hence this Annual Report is presented to Parliament through the Ministry of Public Enterprise Development under whose purview the Bank comes.*

In line with the multi-lingual and multi-ethnic policy of the Government of Sri Lanka this Report is published in Sinhala, Tamil and English languages. This Report is also uploaded to the Bank's website. Being a state bank, BoC has a responsibility to align with the national development goals.



### Major and Material Transactions

*With the corporate plan being well entrenched into the operations of the Bank, future strategies are being mapped out taking into account opportunities, risks, trends and gaps.*

The short, medium and long-term goals are enunciated in the corporate plan. Major transactions that have impacted and may impact the Bank in the future are disclosed in:

Chairman's Message on pages 10 to 12

General Manager's Review on pages 14 to 16

Staying True to Our Mission on pages 96 to 130



### Financial Reporting

*All information in this Annual Report has been collated, analysed, written and evaluated to the best of ability, to ensure transparency, accuracy, completeness and accountability.*

This Annual Report presents a balanced and understandable assessment of the Bank's financial position, performance and prospects in compliance with the numerous regulatory and voluntary codes prevalent for the banking industry. BoC complies with Sri Lanka Accounting Standards, the G4 Standard on Sustainability Reporting published by the Global Reporting Initiative and the Integrated Reporting Framework published by the International Integrated Reporting Council.



### Audit Committee and Internal Control

*While the Board is responsible for formulating and implementing internal control systems to safeguard the Bank's assets, the Audit Committee assists the Board in this.*

The purview of the Audit Committee includes responsibility for financial reporting, internal controls, internal audit and external audit. The Terms of Reference for the Audit Committee comply with the Code of Best Practice on Corporate Governance issued by the Central Bank of Sri Lanka. The Committee assures the effectiveness of financial controls and the accuracy of Bank's Financial Reports. Reviews of the internal control systems are conducted by the Internal Audit Department and reported on regularly to the Audit Committee.



### Code of Business Conduct and Ethics

*The Bank has two Codes of Ethics one applicable to the Directors and the other to the employees.*

The Nomination and Corporate Governance Committee of the Board is responsible for reviewing the Codes. A strong culture against bribery and corruption prevails at the Bank. A number of mechanisms are in place to swiftly deal with any possible infringements. All officers are required to submit an assets and liability declaration annually to the Human Resource Department while all Directors are required to submit the same to the relevant Ministry. Transparent procurement procedures are also in place.



### Corporate Governance Disclosures

*The Directors are required to disclose the extent to which the Bank adheres to established principles and practices of good corporate governance.*

This is described in the Corporate Governance Section of this Report from pages 60 to 77

The 'Code of Best Practice on Corporate Governance' issued by The Institute of Chartered Accountants of Sri Lanka and the Security and Exchange Commission of Sri Lanka is given on pages 63 to 65

The Banking Act Direction No. 11 of 2007 and the Code of Corporate Governance is given on pages 294 to 315



### Sustainability Reporting

*The Bank abides by the principles of sustainability reporting which are also followed in this Report.*

The sustainability approach takes a holistic approach to value creation. It considers the economic, social and environmental value that the Bank creates for its stakeholders in the short, medium and long-term. The sustainability reporting process involves recognising, measuring, disclosing and being accountable to internal and external stakeholders for organisational performance towards the goal of sustainable development.

## Board Subcommittees

The Board is assisted in the discharge of its duties by four Board Subcommittees established in compliance with governance codes and best practice. The responsibilities of the Subcommittees are formally laid down in written terms of reference to ensure that adequate attention is given to certain key areas. The terms of reference are reviewed annually to ensure that they keep up with any changes in the environment and ensure effective control and monitoring of the Bank's operations.

Report of the Audit Committee is given on pages 69 to 71.

Report of the Nomination and Corporate Governance Committee (NCGC) is given on pages 76 and 77.

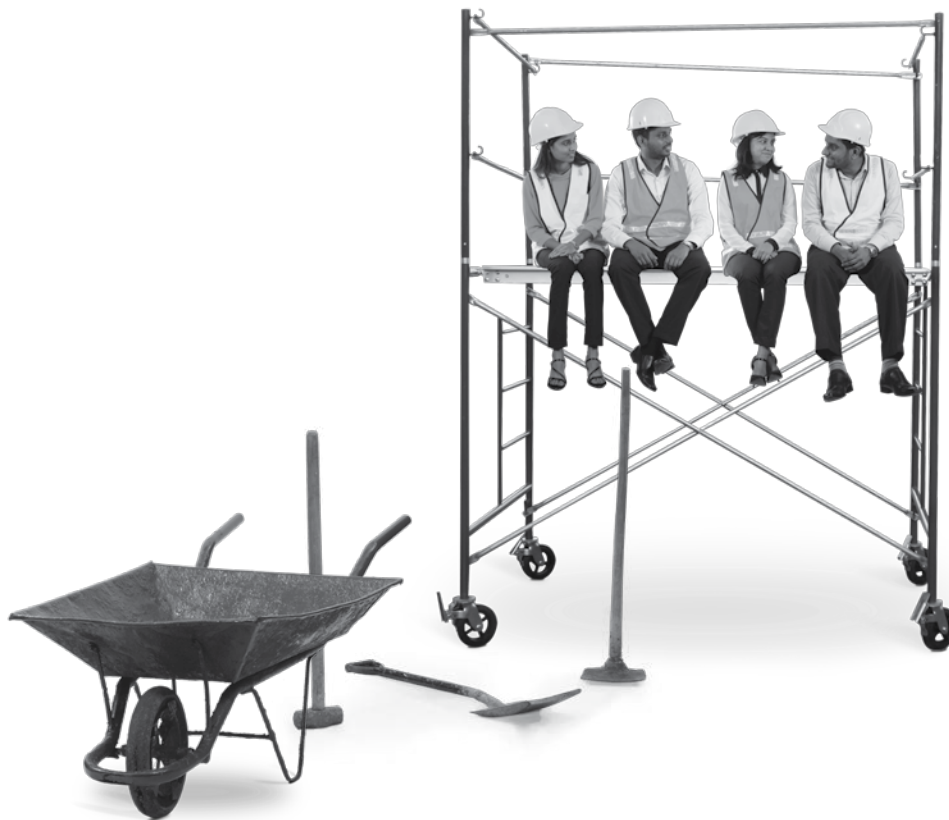
Report of the Integrated Risk Management Committee (IRMC) is given on pages 72 and 73.

Report of the Human Resources and Remuneration Committee (HRRC) is given on pages 74 and 75.

## Regular Meetings

The Board meets routinely every fortnight in addition to which special Board Meetings are held when necessary. During the year, 30 Board Meetings, inclusive of special meetings were held. Details of meetings of Board and Board Subcommittees, specifying attendance by each Board Director are given below:

| Director                                                                                                     | Board     | Audit Committee | HRRC     | IRMC     | NCGC     |
|--------------------------------------------------------------------------------------------------------------|-----------|-----------------|----------|----------|----------|
| Mr Ronald C Perera                                                                                           | 27        | -               | 3        | -        | 4        |
| Mr Ranel T Wijesinha                                                                                         | 25        | 15              | -        | -        | -        |
| Mr Charitha N Wijewardane                                                                                    | 27        | 14              | 3        | 7        | -        |
| Mr Sanjaya Padmaperuma                                                                                       | 26        | 12              | -        | 5        | 4        |
| Mr Ajith Gunawardana                                                                                         | 26        | -               | 3        | 7        | 4        |
| Mr Sajith R Attygalle<br>(Ex-officio Director, appointed w.e.f. 27.04.2016 in place of Ms Pushpa Wellappili) | 10        | 5               | -        | -        | -        |
| Ms Pushpa Wellappili<br>(Ex-officio Director, resigned w.e.f. 31.03.2016)                                    | 5         | 2               | 2        | -        | -        |
| Mr A P Kurumbalapitiya<br>(Alternate Director to Ex-officio Director, resigned w.e.f. 31.03.2016)            | 1         | 2               | -        | -        | -        |
| <b>Total No. of meetings conducted</b>                                                                       | <b>28</b> | <b>15</b>       | <b>3</b> | <b>7</b> | <b>4</b> |



## **Executive/Management Committees**

The management of BoC is facilitated by number of management committees entrusted with overseeing specifically defined areas of policy making and operations. These committees, which are given below, are expected to promote collaboration, information flow, exploration of alternatives and more informed decision-making:

| Name of the Committee                           | Purpose of the Committee                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|-------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Corporate Management Committee                  | Corporate Management Committee is the highest level management committee in the Bank. Overall purpose of the Committee is to deal with vital matters which other management committees do not cover and make decisions regarding such matters.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| Asset and Liability Management Committee (ALCO) | <p>ALCO is the apex management committee of the Bank which has the overall responsibility of ensuring the Bank achieves targets regarding asset and liability management while working within the domestic and international environmental constraints.</p> <p>The primary objective of the ALCO is the management of liquidity risk and interest rate risk.</p> <p>To ensure that any risks taken are within prudent limits ALCO regularly assesses the Bank's risk and risk bearing capacity. To this end specific financial risks involved such as market, interest rate, liquidity and exchange are managed.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| Credit Committee                                | <p>Subject to the approval of the Board of Directors, the Committee is responsible for drawing up policies for granting credit facilities, as well as reviewing and revising existing policies. This includes periodic reviewing of credit facilities to monitor and ensure maintenance of product and service quality. In this process the Committee has to comply with all statutory and regulatory requirements.</p> <p>Proposals formulated by the line management subject to their delegated authority limits are also forwarded to the Committee. The Committee is empowered to approve, decline or ratify such proposals or make appropriate recommendations to the Board of Directors.</p> <p>The Committee is also responsible for ensuring that the Bank maintains a well diversified and healthy credit portfolio. To achieve this it monitors, reviews and makes necessary adjustments to the overall portfolio exposure and concentration risk of the Bank.</p> <p>To ensure that adequate remedial action is taken in respect of non-performing advances.</p> |
| Human Resource Policy Committee                 | The Committee has overall responsibility for HR management. It formulates, reviews and revises relevant policies and procedures and makes recommendations to the Board's Human Resources and Remuneration Committee and also, occasionally, to the Board itself.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| Sustainability Committee                        | It bears overall responsibility, under the Board of Directors, for formulating and executing the Bank's Corporate Sustainability Policies (principally environmental, social, ethical and economic matters).                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| Reward and Recognition Policy Committee         | Motivating employees by recognising those who have made outstanding contributions to the organisation by appreciating/rewarding such employees/teams for their contribution.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| Scholarship Programme Selection Committee       | To select the required and appropriate overseas study and training programmes for the Bank.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| Scholarship Committee                           | To select the appropriate training programme seminar/workshops/visits whether local or overseas and nominate suitable participants for the such programmes.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| IT Steering Committee                           | <p>To formulate and recommend to the Board the Information Technology plan for the financial year.</p> <p>To craft implementation plans for the above, prioritise activities within the IT Plan, implementation of such activities, forming teams and monitoring processes and their progress.</p> <p>To review policies relating to IT Operations periodically and recommend changes in policies to the Board of Directors.</p> <p>To monitor and control the progress of IT Projects.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |

| Name of the Committee                              | Purpose of the Committee                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|----------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Investment Committee                               | To assist the Board of Directors to discharge its statutory duties and its oversight responsibilities in relation to investment activities of the Bank excluding investments in equity of subsidiaries and Government securities. The Committee is guided in this by the implementation and monitoring of investment activities as stipulated in the Investment Policy of Bank of Ceylon.                                                                                                                                                                                                                                                                                                                                                                      |
| Non-Performing Assets (NPA) Review Committee       | Exercising supervisory control over NPA of the Bank by periodically reviewing the NPA status against set targets and making suitable recommendations to management to improve the asset quality or expedite the recovery of existing NPA.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| Committee Dealing with Forged Cheques and Frauds   | This Committee was established in order to write-off unrecoverable balances on Forged Cheques and Frauds after all possible ways of recovering the same have proved unsuccessful. Write-off decisions not arising from frauds are not within the purview of this Committee.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| Idle Assets Committee                              | <p>Ensuring that management and monitoring of the process of disposal of properties vested in the Bank are in conformance with rules stipulated in Bank of Ceylon Ordinance, Bank of Ceylon Act, Debt Recovery Act and Office Instruction Circular No. 62/2010 dated 17 January 2011 and its addenda.</p> <p>To provide necessary guidelines to arrive at settlements with the previous owners of such properties as mentioned above who are occupying the premises; this includes revesting the properties to them wherever possible in order to avoid costly and time consuming ejection procedure.</p> <p>To provide necessary guidelines and instructions to the Foreclosed Properties Unit enabling them dispose the properties at an adequate price.</p> |
| Business Continuity Management Steering Committee  | Guiding and monitoring of Business Continuity Co-ordinating Committee, Business Continuity Implementation Committee, Technical and Operational Committee, Business Continuity Management Alternate Committee, Damage Assessment and Restoration Committee and Business Continuity Subcommittees at head office and province level.                                                                                                                                                                                                                                                                                                                                                                                                                             |
| Business Continuity Implementation Committee       | Effective implementation of Business Continuity Plan (BCP) of the Bank.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| Technical and Operational Committee                | Taking appropriate measures to mitigate losses that may arise consequent to disruptions to operations.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| Business Continuity Co-ordinating Committee        | Managing and co-ordinating all aspects of Business Continuity Management (BCM) process of the Bank.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| Business Continuity Management Alternate Committee | This Committee will function temporarily, immediately after any disaster, until the other Business Continuity Management Committees are established.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| Damage Assessment and Restoration Committee        | Assessment of Damages to Bank Properties and Restoration.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| Marketing Committee                                | Providing a strategic direction to the Bank's marketing activities. This includes planning appropriate marketing strategies, positioning the Bank and its products/services, identifying opportunities in the market to maximise the Bank's turnover and be a forum to champion innovation/novel marketing concepts, planning and executing corporate social responsibility programmes and creating an effective communication platform to build the Bank's corporate image.                                                                                                                                                                                                                                                                                   |
| Corporate Information Security Committee           | Provides oversight in the form of management direction and support to drive the Information Security of the Bank. Accordingly, the Committee is expected to guide and monitor the application of processes and procedures specified in the Information Security Policy (ISP), review and communicate the Information Security Plans and conduct investigations of security breaches.                                                                                                                                                                                                                                                                                                                                                                           |
| Operational Risk Management Executive Committee    | Review, discuss and co-ordinate the various issues relating to Operational Risk Management Process for the purpose of ensuring better risk management and measurement of the various related operational risks.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| Fraud Risk Committee                               | Scrutinise and review the adequacy and effectiveness of risk management and control processes within the Bank to eliminate, as far as possible, losses due to fraud.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |

# Board Subcommittee Reports

## Audit Committee Report

### Chairman's Statement

#### **Terms of Reference**

The Terms of Reference of the Audit Committee are governed by the Audit Committee Charter, approved and adopted by the Board. The Committee also ensures that the scope and coverage of the Charter, fulfils requirements of the Banking Act Directions on Corporate Governance for Licensed Commercial Banks issued by the Central Bank of Sri Lanka.

#### **Composition**

The Audit Committee is comprised of the following Non-Executive Directors.

- Mr Ranel T Wijesinha  
*Chairman*  
*Independent Non-Executive Director*
- Mr Sajith R Attygalle  
*Member*  
*Non-Executive Ex-officio Director*  
*(Appointed w.e.f. 11.05.2016)*
- Mr Charitha N Wijewardane  
*Member*  
*Independent Non-Executive Director*
- Mr Sanjaya Padmaperuma  
*Member*  
*Independent Non-Executive Director*
- Ms Pushpa Wellappili  
*Non-Executive Ex-officio Director*  
*(From 27.02.2015 to 31.03.2016)*  
*(Mr Attygalle was appointed pursuant to her retirement from public service)*

Detailed profiles of members of the Committee appear on pages 38 to 40. The Secretary to the Board, who is an Attorney-at-Law and a Deputy General Manager, functions as the Secretary to the Committee.

#### **Principal Focus**

The Audit Committee focuses principally on assisting the Board in fulfilling its duties by providing an independent and objective review of the financial reporting process.

#### **Medium of Reporting**

The proceedings of the Audit Committee meetings are tabled at the meetings of the Board, where all key issues, concerns, actions taken, outcomes achieved or pending, and follow-up initiated, are clarified, discussed and Board approval obtained therefor. The effectiveness of the Committee is evaluated annually by the Committee and results are communicated to the Board.

#### **Committee Meetings and interaction with External Auditors**

The Committee met on fifteen occasions during the year under review. The attendance of the Committee members is provided in the table on page 66. The quorum of the Committee is two. The Committee had ongoing interaction with the representative of the Auditor General who was based at the Bank on a full time basis, throughout the year. In order to further facilitate management's co-operation with the external audit conducted by Messrs Ernst & Young, Chartered Accountants, and to enhance the independence of the external audit, the Chairman of the Audit Committee, met the Senior Partners in charge of the audit, as and when the need arose, in addition to the regular meetings of the Committee. The Committee met the External Auditors at the final meeting prior to finalisation of the year-end audit without the presence of the General Manager and other members of the management, in order to determine whether there were any restrictions to the scope of the audit and received confirmation that there were none.

#### **Activities Performed during the Year**

##### Regulatory Compliance

- Reviewed compliance with mandatory banking and other statutory requirements.

- Reviewed the progress of action taken in relation to the findings of the statutory examinations carried out by the regulators.
- Reviewed the Internal Capital Adequacy and Capital Augmentation Plan and implementation thereof.
- Reviewed initiatives and action plans designed to progress towards Basel III and SLFRS 9.
- Reviewed compliance with Anti-money laundering, Countering Terrorist Financing and Customer due Diligence processes.
- Initiated and reviewed measures of stress testing against key variables.
- Initiated and reviewed exposure to Government/private sector, to economic sectors, sub-sectors and borrowers and followed up implementation of appropriate risk minimisation and mitigation measures.
- Periodically reviewed internal and external audits of the Treasury and the Primary Dealer Unit, conducted by the Internal Audit Department, the representative of the Auditor General and External Auditors, Messrs Ernst & Young, Chartered Accountants.
- Reviewed compliance with all requirements of the Central Bank of Sri Lanka, in relation to Authorised Primary Dealers.

##### Internal Controls

- On a regular monthly basis and when specific events or cases warranted, root cause analyses were conducted and improvements were made to the systems, procedures and internal controls.
- On an ongoing basis reviewed and strengthened credit/project evaluation processes adopted by the Bank.
- Conducted a series of case study based training and development sessions to strengthen the adequacy and coverage of credit evaluation.

- The office of the Chief Internal Auditor and the office of the Chief Risk Officer were regularly instructed to conduct assessments of key areas of exposure or vulnerability and risk minimisation and mitigation measures to strengthen controls were implemented therefor.
- Guided and assisted the Human Resource Department to design and implement skill enhancement and capacity building measures for staff engaged in credit evaluation and monitoring.
- Reviewed and strengthened the oversight and monitoring of debt service by significant borrowers and designed measures to prevent/pre-empt potential loan losses.
- Designed and implemented new strategies to secure collateral for loans.
- Reviewed and strengthened procedures and strategies of the Recovery Department.
- Reviewed information technology related risk assessments and corresponding risk minimisation and mitigation measures with the special emphasis on cyber security.
- Performed post-implementation reviews of application systems in the Bank.

The Statement by the Directors, on Internal Control and the Auditor General's Report thereon, is provided on pages 142 to 144. Accordingly, the Committee is of the view that necessary checks and balances are in place to provide reasonable assurance, that the Bank's assets are safeguarded and that the financial position and the results disclosed in the Financial Statements are free from any material misstatements.

### **Financial Reporting**

- Reviewed the Bank's accounting policies and their application to the reporting of the Bank's activities and financial performance.
- Reviewed the monthly, quarterly and annual unaudited/audited Financial Statements to ensure that they are prepared and published in accordance with the requirements prescribed

by the supervisory and regulatory authorities and applicable accounting standards.

- Reviewed the significant judgments, estimates and conclusions on the loan loss provisions, relating to individually significant loans and the adequacy of collective impairment allowances on other loans.

### **Internal Audit**

- Reviewed the independence, objectivity and performance of the internal audit function as well as the adequacy of the department's resources, with particular reference to the three main units.
  - Province/Branch and Credit Audit
  - Information Systems Audit
  - Investigations
- Reviewed the effectiveness of the implementation of the Internal Audit Plan.
- Reviewed significant Internal Audit findings and management's responses thereto, with a view to taking timely corrective action.
- Reviewed the adoption of the Risk Based Internal Control Checklist, Risk Based Audit Guidelines and Internal Audit Procedures of the Bank.
- Evaluated the performance of the Chief Internal Auditor and reviewed the evaluation of the senior audit staff of the Internal Audit Department.
- Reviewed training and development needs and requirements for specialised training of the Internal Audit Department and the need for capacity building.
- Introduced Forensic Auditing to enhance capabilities in prevention, detection and investigation of frauds and irregularities.
- Enhanced scope and coverage of data mining and analytical techniques.

### **External Audit**

The external audit is carried out by the Auditor General in terms of the Constitution of the country. The Auditor General, was assisted by Messrs Ernst & Young, Chartered Accountants, during the year 2016.

- Reviewed and followed up upon audit issues identified by the Auditors pertaining to the audit for the year 2015.
- Reviewed the Report of the Auditor General to the Parliament of Sri Lanka on the accounts of the Bank for the year ended 31 December 2015, the Management Letter, the management's responses thereto and followed up on corrective measures taken by the Bank.
- Reviewed the Audit Plan of 2016 submitted by Messrs Ernst & Young, Chartered Accountants and followed up on all their deliverables and the adequacy and effectiveness of their scope and coverage.
- Reviewed and followed up upon interim and final audit issues identified by the Auditor's pertaining to the Audit for the year 2016.
- Reviewed the key reports from the Department of the Auditor General.

### **Supervision and Audit of Subsidiaries and Associates of Bank of Ceylon**

- Reviewed the Policy on Internal Audit of subsidiaries.
- Introduced a new mechanism to further strengthen the accountability and oversight over subsidiaries and associates of the Bank.
- Reviewed the audits carried out on certain subsidiaries based on the policy on the Internal Audit of subsidiaries.

### **Participation at Meetings**

The following management personnel attended each Audit Committee meeting:

- Chief Internal Auditor
- Chief Risk Officer
- Compliance Officer
- Assistant General Manager (Province/Branch and Credit Audit)
- Assistant General Manager (Investigation)
- Assistant General Manager (Information System Audit)
- Assistant General Manager (Risk Management)
- Internal Auditor





Representative of the Auditor General (the External Auditor of the Bank) and Partners and Managers of Messrs Ernst & Young, Chartered Accountants who are the External Auditors appointed by the Auditor General to assist in the annual audit of the Consolidated Financial Statements of the Bank and its subsidiaries for the year 2016, also attended every meeting of the Audit Committee.

Members of the management who attended by invitation only, are as follows:

- General Manager
- Chief Financial Officer
- Deputy General Manager (Finance and Planning)

The Heads of Divisions were invited to the meetings of the Audit Committee at various times during the year in order to seek clarification on areas such as credit, product and development banking, treasury management, oversight over subsidiaries and branches located overseas, retail banking, foreclosure and recovery, legal issues and information technology risk issues. The direct dialogue thus created, enabled achieving consensus on a series of areas where systems, procedures, controls were strengthened, policy manuals improved or expanded and compliance therewith facilitated. The key management personnel who participated in these discussions were:

- Deputy General Manager (Product and Banking Development)
- Deputy General Manager (Corporate and Off-shore Banking)
- Deputy General Manager (Sales and Channel Management)
- Deputy General Manager (Recovery)
- Deputy General Manager (International, Treasury and Investment)
- Deputy General Manager (Retail Banking)
- Deputy General Manager (Support Services)
- Deputy General Manager (Human Resources)

- Chief Legal Officer
- Head of Information Technology
- Head of Technology Transformation

The Chairman held separate one-on-one and group meetings with the General Manager, Chief Financial Officer, Chief Internal Auditor, Chief Risk Officer, Chief Legal Officer and other senior managers and with the Audit Partners/Auditor General's representative.

### Special Initiatives

- In order to improve the Bank's asset quality, several training sessions were held at the Head Office and provinces. A case study based approach was introduced in order to strengthen project concept evaluation, industry/market knowledge and the format and content of the Credit Memorandum submitted for Board approval.
- Organised island-wide capacity building workshops at provinces and branches.
- Organised a workshop on 'Integrity at the workplace', which was conducted by the Chartered Institute for Securities & Investment (CISI), United Kingdom, for Board members, corporate and executive management.

### Governance

The Committee, on an ongoing basis, reviewed the manner in which good corporate governance was practiced with particular reference to the:

- Banking Act Direction No. 11 of 2007 on Corporate Governance and subsequent amendments thereto.
- The Listing Rules of the Colombo Stock Exchange and the Code of Best Practices on Corporate Governance issued jointly by the Securities and Exchange Commission of Sri Lanka and The Institute of Chartered Accountants of Sri Lanka of 2013 (Code of Best Practice).

The Annual Corporate Governance Report for 2016 is provided on pages 60 to 68.

### Procedure for Complaints – Whistle Blowing Policy

The Bank has a long established 'Policy of Whistle Blowing' covering procedures for the receipt, retention and treatment of complaints. The complaints may relate to but are not limited to, questionable accounting, internal control weaknesses, bribery and/or commission, falsifying records, insider dealings, money laundering, theft and fraud, misuse of the Bank's assets, misrepresentation or false statements and any other actions that are unethical, illegal or contrary to proper corporate governance and stewardship policies and will be harmful to the financial health or reputation of the Bank.

The Chief Internal Auditor acts as the complaint overseer while the complaints against the employees in the grades of Deputy General Manager and above shall be submitted to the Chairman of the Board Audit Committee.

Employees are encouraged to raise any legitimate concerns promptly, and are entitled to remain anonymous or to request that their identity not be disclosed. Customers and concerned members of the general public are entitled to submit complaints anonymously and in confidence to the complaint overseer who is required to investigate complaints and report to the Audit Committee within periods stipulated in the Policy.

**Ranel T Wijesinha**  
Chairman  
Audit Committee

29 March 2017  
Colombo

## Integrated Risk Management Committee Report

### Chairman's Statement

#### **Role of the Committee**

The main role and responsibility of the Committee is to assist the Board in fulfilling its oversight responsibilities for all aspects of risk management. In this connection the Committee focuses on and reviews risks such as credit, market, liquidity, operational and strategic risks through appropriate risk indicators and management information.

In addition to the above, the Committee is responsible for reviewing and/or recommending the following which are identified in the Charter of the Integrated Risk Management Committee:

- Policies, programmes and Management Committee Charters relating to risk management and compliance.
- Risk limits and policies that establish appetite for credit, market, liquidity, operational and other risks, as recommended by the Chief Risk Officer.
- Adequacy and effectiveness of all Management Level Committees such as the Credit Committee and Assets and Liability Management Committee to address specific risks and to manage those risks within quantitative and qualitative risk limits as specified by the Committee.
- Risk management reports on the risk profile of the Bank, as well as current market and regulatory risks and actions undertaken to identify, measure, monitor and control such risks.
- Corrective action to mitigate the effects of specific risks in case such risks are beyond the prudent levels decided by the Committee on the basis of the Bank's policies and regulatory and supervisory requirements.

- Appropriate actions against the officers responsible for failing to identify specific risks and take prompt corrective action as directed by the Director of Bank Supervision or otherwise.
- Adequacy and effectiveness of risk identification, measurement, monitoring and mitigation relating to credit, market, liquidity, operational and compliance risks.

#### **Composition and Quorum**

The members of the Committee during the year under review 2016 are as follows:

- Mr Charitha N Wijewardane  
*Chairman*  
*Independent Non-Executive Director*
- Mr Sanjaya Padmaperuma  
*Member*  
*Independent Non-Executive Director*
- Mr H P Ajith Gunawardana  
*Member*  
*Independent Non-Executive Director*

Permanent management representatives on the Committee –

- Mr D M Gunasekara  
*General Manager*
- Mr D N L Fernando  
*Chief Risk Officer*

The details of the members can be seen from the Directors' biographical details appearing on pages 40 and 41 of this Annual Report.

The quorum of the Committee is two members.

The Secretary, Bank of Ceylon/Secretary to the Board functions as the Secretary to the Committee. The Chief Financial Officer and the Chief Internal Auditor are invited to be present at the meetings. Other members of the staff are invited to attend the meetings when the Committee requires their presence.

### **Meetings and Activities**

The Committee met seven times during the year under review. The attendance of Committee members at meetings is given in the table on page 66.

Activities carried out by the Committee during the year under review are summarised below:

- Reviewed and/or recommended the following policies based on which the risk profile of the Bank is assessed:
  - a. Credit Risk Management Policy
  - b. Market Risk Management Policy
  - c. Operational Risk Management Policy
  - d. Stress Testing Policy
  - e. Integrated Risk Management Policy
  - f. Anti-Money Laundering/ Compliance Policy
  - g. Liquidity Risk Management Policy
  - h. Foreign Exchange Risk Management Policy
  - i. Limit Management Framework for Treasury Operations
  - j. Middle Office Operations Manual
- The Independent Integrated Risk Management Division of the Bank assessed the risks of the Bank on a monthly basis and summary reports were submitted before the Committee. The Committee reviewed them and submitted its recommendation to the Board immediately through minutes of the meeting and specific recommendations.
- Risk Appetite and Limit Setting for 2016 was established.
- Monitored quantitative and qualitative risks which have gone beyond the limits and made the necessary recommendations.
- Followed up on the implementation of state-of-the-art risk management system for managing credit, operational and market risks and also an Anti-Money Laundering Software Solution.



- Recommended the adoption of the revised Internal Capital Adequacy Assessment Process (ICAAP) for the year 2016.
- Recommended the adoption of the revised Internal Capital Adequacy Assessment Process (ICAAP) for Chennai Branch.
- Reviewed the comprehensive Compliance Reports submitted by the Compliance Officer.
- Reviewed the implementation of 5S System in the Branches.
- Improved the Risk Management Dash Board to support the subsidiaries to manage their risk functions. Also a team from the Risk Management Division has been created to assist subsidiaries in their risk matters.
- Evaluated and monitored subsidiary Risk Management Dash Boards.
- Monitored Key Risk Indicators in the Branch network, critical businesses and support divisions.
- Recommended adoption of the revised Business Continuity Plan 2016/17.
- Reviewed stress testing results on quarterly basis.
- Special emphasis was placed on IT Risk and associated Cyber Security and initiated and followed-up on various measures to safeguard the Bank from Cyber attacks.
- Appointed a new IT Risk Officer and IT Security Risk Officer to manage IT risk related issues.

The Committee reported to the Board by way of minutes giving its recommendations. All minutes of the Committee meetings are tabled and ratified at meetings of the Board and follow up action is taken on outstanding matters.

## Conclusion

Acting collectively, the members of the Integrated Risk Management Committee evaluated its performance for effectiveness and efficiency and is satisfied with its performance.

The Committee constantly seeks ways to improve its performance. Its approach to this includes studying ways of incorporating best practices into its functions and improving the usefulness of the reports generated. The efforts of the Committee cover a wide area including acquiring knowledge, increased investment in technology, improving processes and the development of in-house expertise. Increasing awareness among staff of the need for managing risks and ensuring compliance and training staff are important components of this approach. The Committee is satisfied that the approach used in this regard is sound. The Committee expects that it will be capable of making an even more effective contribution to the Bank's stability.

On behalf of the Integrated Risk Management Committee,

**Charitha N Wijewardane**  
*Chairman*  
*Integrated Risk Management Committee*

29 March 2017  
Colombo

## Human Resources and Remuneration Committee Report

### **Chairman's Statement**

#### **Role of the Committee**

The main responsibilities of the Committee, which are mainly based on the Banking Act Direction No. 11 of 2007 on Corporate Governance for Licensed Commercial Banks in Sri Lanka issued by the Central Bank of Sri Lanka are as follows:

- Determining the remuneration policy (salaries, allowances and other financial payments) relating to Key Management Personnel (KMP) of the Bank.
- Setting goals and targets for the General Manager (GM) and KMP.
- Evaluating the performance of the GM and KMP against the set targets and goals periodically and determining the basis for revising remuneration, benefits and other payments of performance based incentives.
- Reviewing staff matters referred to it by the Board.
- Determining the Human Resource Policy and Organisational Structure of the Bank.

#### **Composition and Quorum**

The members of the Committee, during the year under review, were as follows:

- Mr H P Ajith Gunawardana  
*Chairman*  
*Independent Non-Executive Director*
- Mr Ronald C Perera PC  
*Member*  
*Independent Non-Executive Director*
- Ms Pushpa Wellappili  
*Member*  
*Non-Executive Ex Officio Director*  
*(from 27 February 2015 to 31 March 2016)*
- Mr Sajith R Attygalle  
*Member*  
*Non-Executive Ex Officio Director*  
*(from 11 May 2016 to date)*
- Mr Charitha N Wijewardane  
*Member*  
*Independent Non-Executive Director*

- Mr Attygalle was appointed in place of Ms Wellappili with her retirement from public service, with which, she ceased to be a Director.

The quorum of the Committee is two members. The GM is present at all meetings except when matters relating to the GM are discussed. The Deputy General Manager (Human Resources) and other members of the staff are invited to attend the meetings when the Committee requires their presence. The Secretary, Bank of Ceylon/Secretary to the Board functions as Secretary to the Committee.

#### **Meetings and Activities**

The Committee has met thrice during the year under review. The attendance of members at meetings is given on page 66. All minutes of the Committee meetings are tabled and ratified at meetings of the Board and approval of the Board thus is obtained for implementation of the recommendations made by the Committee. Follow-up action is taken on outstanding matters.

According to the aforesaid Banking Act Direction No. 11 of 2007, this Committee has to determine the Remuneration Policy relating to Directors. However, in the case of Bank of Ceylon, the remuneration of Directors is determined in accordance with the circulars and instructions issued by the Government of Sri Lanka, the sole shareholder of the Bank. The provisions in the Bank of Ceylon Ordinance No. 53 of 1938 and its amendments, the Act of Parliament that established Bank of Ceylon are also taken into consideration in this regard. The Bank has a Remuneration Policy in place, prepared, based on the above, which is reviewed as and when new regulations are issued by the Government. This policy was revised within the year under review. The details of the remuneration given to Directors, are disclosed in the Annual Report on a yearly basis.

The goals and targets for GM and Deputy General Managers (DGMs) are embodied in the rolling Corporate Plan and Action Plan. The GM is responsible for the implementation of the Corporate Plan through the DGMs. Based on the Action Plan prepared according to the Corporate Plan, the Assistant General Managers are given targets by the respective DGMs.

Major activities of the Committee for the year 2016 are as follows:

- The remuneration of employees is revised once in three years, with the approval of the Ministry, under whose purview the Bank falls as per the provisions of the Bank of Ceylon Ordinance and during the year under review, no revision was done to the remuneration of employees. However, as part of the remuneration package for the three-year period from 2015–2017, the allowances offered for KMPs were recommended.
- Reviewed and recommended the Remuneration Policy of the Chairman and Directors of Bank of Ceylon.
- Recommended the Remuneration Policy for KMP.
- Reviewed the training needs of the Bank and made the necessary recommendations.
- The Committee evaluated the performance of the DGMs against the targets given to them at the beginning of the year. Performance of the Assistant General Managers are evaluated through the evaluation carried out on them by their superiors, viz DGMs.
- Revised/revisited the Human Resource and Remuneration Committee Charter.
- The Committee revisited the Organisation Structure proposed under the transformation exercise of the Bank with The Boston Consulting Group in 2015 and recommended the revised Organisation Chart of the Bank for the higher grades.

- Reviewed and recommended the promotion policy and schemes for the grades from Office Assistant to Chief Manager.
- Followed up the decisions pending implementation.
- The Committee evaluated its performance for the year 2016 as per the committee's Charter and is fully satisfied that it has fulfilled its obligations as required.

## **Conclusion**

The Committee shall continue to assist the Board of Directors in fulfilling its responsibilities in regard to human capital and remuneration matters.

On behalf of the Human Resource and Remuneration Committee.



**H P Ajith Gunawardana**  
*Chairman*  
*Human Resources and Remuneration*  
*Committee*

29 March 2017  
Colombo

# Nomination and Corporate Governance Committee Report

## Chairman's Statement

### Role of the Committee

The Nomination and Corporate Governance Committee is mainly responsible for the following:

- Implementing procedures to select/appoint the General Manager (GM) and Key Management Personnel (KMP).
- Setting the criteria such as qualifications, experience and key attributes for eligibility to be considered for appointment or promotion to the post of GM and the key management positions.
- Ensuring that GM and KMP are fit and proper persons to hold office as specified in the criteria given in Direction No. 3 (3) of the Banking Act Direction No. 11 of 2007 on Corporate Governance for Licensed Commercial Banks in Sri Lanka issued by the Central Bank of Sri Lanka and as set out in the statutes.
- Considering and recommending, from time to time, the requirements of additional/new expertise and succession arrangements for KMP.
- Determining the methods and execution of the annual evaluations of the Board's and each Board Committee's effectiveness and supporting the annual performance evaluation process.
- Reviewing the Bank's Code of Ethics.
- Determining the level of compliance with the Corporate Governance principles.

### The Composition of the Committee

The members of the Committee during the year under review 2016 are as follows:

- Mr Ronald C Perera PC  
*Chairman*  
*Independent Non-Executive Director*
- Mr Sanjaya Padmaperuma  
*Member*  
*Independent Non-Executive Director*
- Mr H P Ajith Gunawardana  
*Member*  
*Independent Non-Executive Director*

The General Manager attends the meetings by invitation. Other members of staff are invited to attend the meetings when the Committee requires their presence. The Secretary, Bank of Ceylon/ Secretary to the Board functions as the Secretary to the Committee.

### Meetings

The Committee met four times during the year under review. The attendance of committee members is given on page 66.

### Reporting to the Board

All minutes of the Committee meetings are tabled and ratified at meetings of the Board and approval of the Board is thus obtained for implementation of the recommendations made by the Committee. Follow up action is taken on outstanding matters on a regular basis.

### Appointments made to the Board

According to the aforesaid Banking Act Direction No. 11 of 2007, this Committee has to implement a procedure to select/appoint new Directors. However, in the case of Bank of Ceylon, which is fully-owned by the Government of Sri Lanka, the appointment of Directors are carried out by the Minister under whose purview the Bank falls, as provided in the Bank of Ceylon Ordinance No. 53 of 1938 and its amendments. As such this Committee does not play any role in connection with the appointment of Directors.

### Activities Performed

- Reviewed and recommended the Board Charter.
- Reviewed the Board approved Code of Ethics for Directors.
- Reviewed and recommended the Code of Ethics of the employees.
- Reviewed and recommended the Communication Policy of the Bank.
- Reviewed and recommended the Charter of the Nomination and Corporate Governance Committee.
- Reviewed and recommended the Succession Plan for Corporate Management and Executive Management (KMP).
- Reviewed and recommended the Promotion Policies for the grades of Assistant General Manager and Deputy General Manager.
- Reviewed and recommended adoption of the position descriptions of KMP.
- Ensured that KMP are fit and proper persons to hold their offices when officers were promoted or appointed as KMP.
- Reviewed the process of self evaluation carried out by the Directors.

- New Performance Management System for the employees of the Bank from the grade of Junior Executive Officer upwards (covering the hierarchy of staff) which was formulated with the assistance of The Boston Consulting Group was implemented in the year 2016.

- Evaluated the performance of the Committee

**Conclusion**

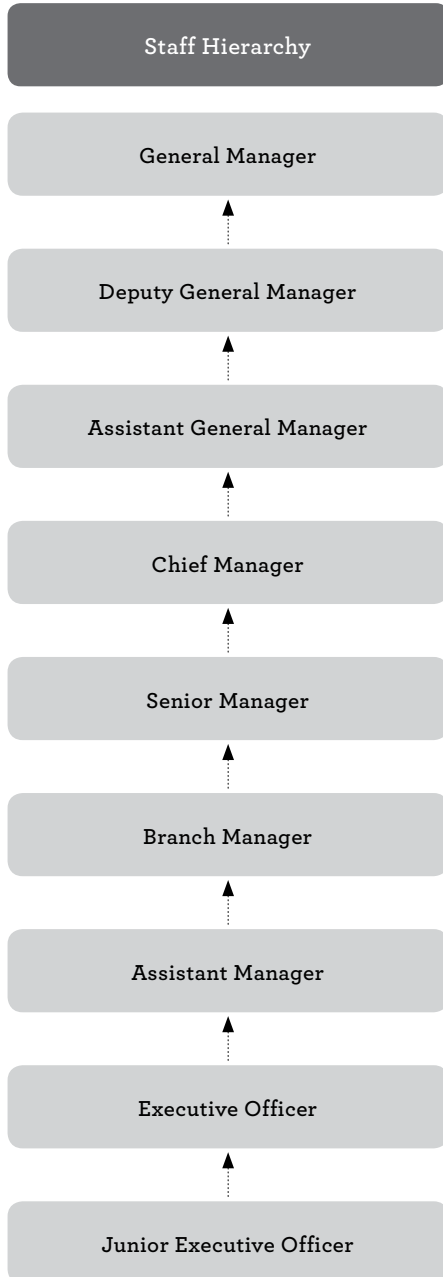
The Committee will endeavour to maintain and enhance the good Corporate Governance practices of the Bank.

On behalf of the Nomination and Corporate Governance Committee.



Ronald C Perera PC  
 Chairman  
 Nomination and Corporate Governance Committee

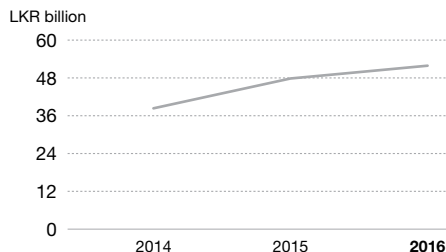
29 March 2017  
 Colombo



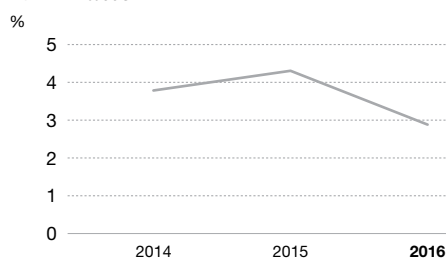
# Risk Management – Ensuring the Safety of the Numbers

## Key Indicators

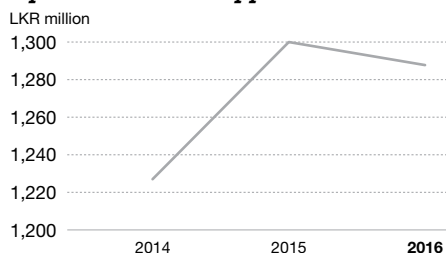
### Net Interest Income



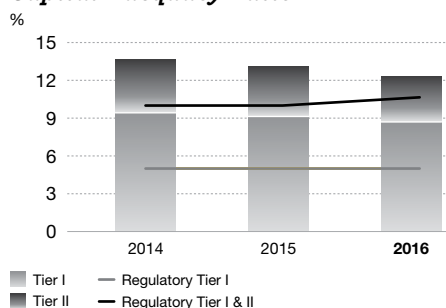
### NPA Ratio



### Operational Risk Appetite



### Capital Adequacy Ratio



## Overview

Effective risk management is integral to the Bank's business success. Financial industry players assume appropriately priced risks, and prudently manage them within a well-articulated risk management framework. Our risk management strategy is targeted at ensuring ongoing

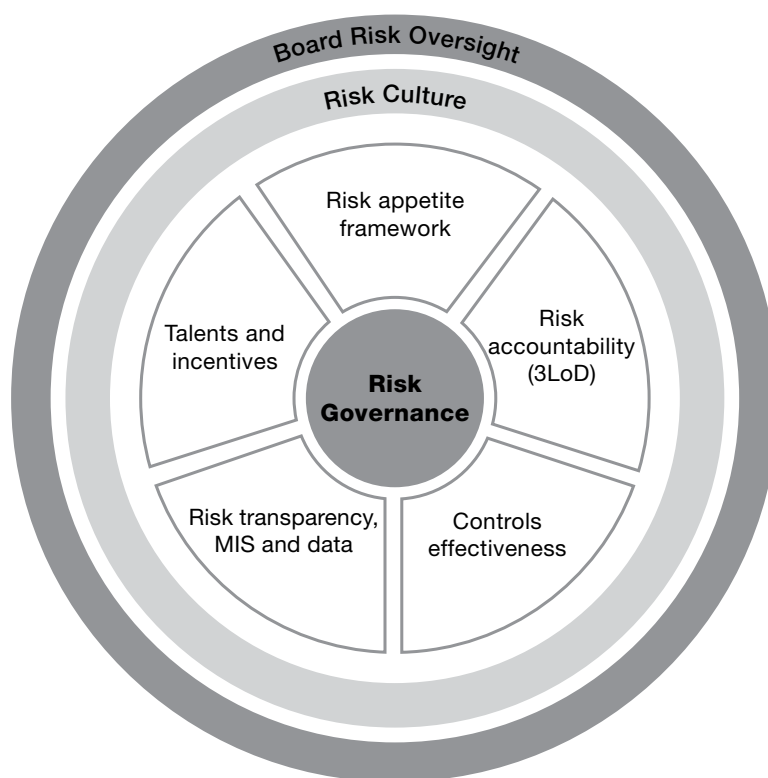
effective risk discovery and achieving effective capital management. Risks are managed within various levels established by the management and approved by the Board of Directors and its Subcommittees. A comprehensive framework of measurement, monitoring and control policies and procedures is established to enhance the Bank's discovery and management of such risks. This framework and its antecedent processes are reviewed by the Integrated Risk Management Committee (IRMC).

Our risk management philosophy is proactive and forward looking, that is clearly communicated throughout the Bank, which is necessary for the creation and evolution of an appropriate risk culture that balances growth and risk. Risk philosophy of the Bank is aligned with the vision, mission, policies and goals in order to ensure an efficient resource allocation within an appropriate strategic management framework. Our internal processes ensure that the risk return trade-off is managed within the defined risk appetite.

## Risk Governance

The complexity of our business model and competitive business environment demand us to identify, assess, measure, monitor and manage our risks and to optimise capital allocation. Clear risk management framework, policies and organisational structure enable effective management of risk and capital.

Prime responsibility for risk management rests with the Board which has been delegated to Board subcommittees and senior management with responsibility for execution and oversight.





Chief Risk Officer (CRO), under the supervision of the IRMC which is a Board Subcommittee heads the Independent Integrated Risk Management Division (IIRMD) of the Bank. IIRMD functions as a separate division, independent from revenue generating Strategic Business Units (SBUs). New standards for financial institutions introduced by the Basel Committee and the Central Bank of Sri Lanka (CBSL) are integrated into the risk management strategy and framework of the Bank through IIRMD.

### Bank's Risk Profile

Bank of Ceylon (BoC) has a risk profile that is dominated by credit risk. Market risk is negligible in terms of capital allocation, while capital usage for operational risk is in double digits because it is measured with basic indicator approach of the Basel II guidelines. BoC's risk profile for the past three years is given below.

Bank continues to pursue the objective of optimising risk and return and therefore, total risk weighted assets as a percentage of total assets continue to increase which reached 50% level in 2016. This has greatly helped the Bank to increase profitability. On the other hand, this has taken the toll on the capital, while pressure is also building up from regulatory front in the form of Basel III additional buffers. Government of Sri Lanka, BoC's sole shareholder, did subscribe to the capital issue proposed by the Bank during the year under review and has pledged required assistance for future growth plans.

### Risk Culture

We seek to foster a strong risk culture throughout the Bank. It is to help reinforce Bank's resilience by encouraging a holistic approach to the management of risk return trade-off as

well as the effective management of our risk, capital and reputational profile. The Bank considers risks in connection with its business. As such our risk culture is based on the following principles:

- Risk is taken within a defined risk appetite
- Every risk taken is approved within the risk management framework
- Risk taken is adequately compensated
- Risk is continuously monitored and managed

Participation of all employees is expected in the process of management and escalation of risks. Employees are expected to exhibit behaviours that support a strong risk culture. To strengthen our risk culture, we conduct a number of bank-wide activities. The Board and senior management emphasise the importance of maintaining a strong risk culture. In addition to enhance knowledge of risk culture, IIRMD undertakes awareness programs at various intervals.

### Three Lines of Defence

Our risk management model comprises Three Lines of Defence (3 LoD) approach. All the business divisions and support units which are the 'Originators' of the risks are considered as the First Line of Defence (1st LoD). They ensure that all business activities are conducted in defined control environments.

Developing and reviewing policies, frameworks, tools and processes, establishing the risk appetite and stress testing are carried out by the IIRMD being the Second Line of Defence (2nd LoD) of the Bank.

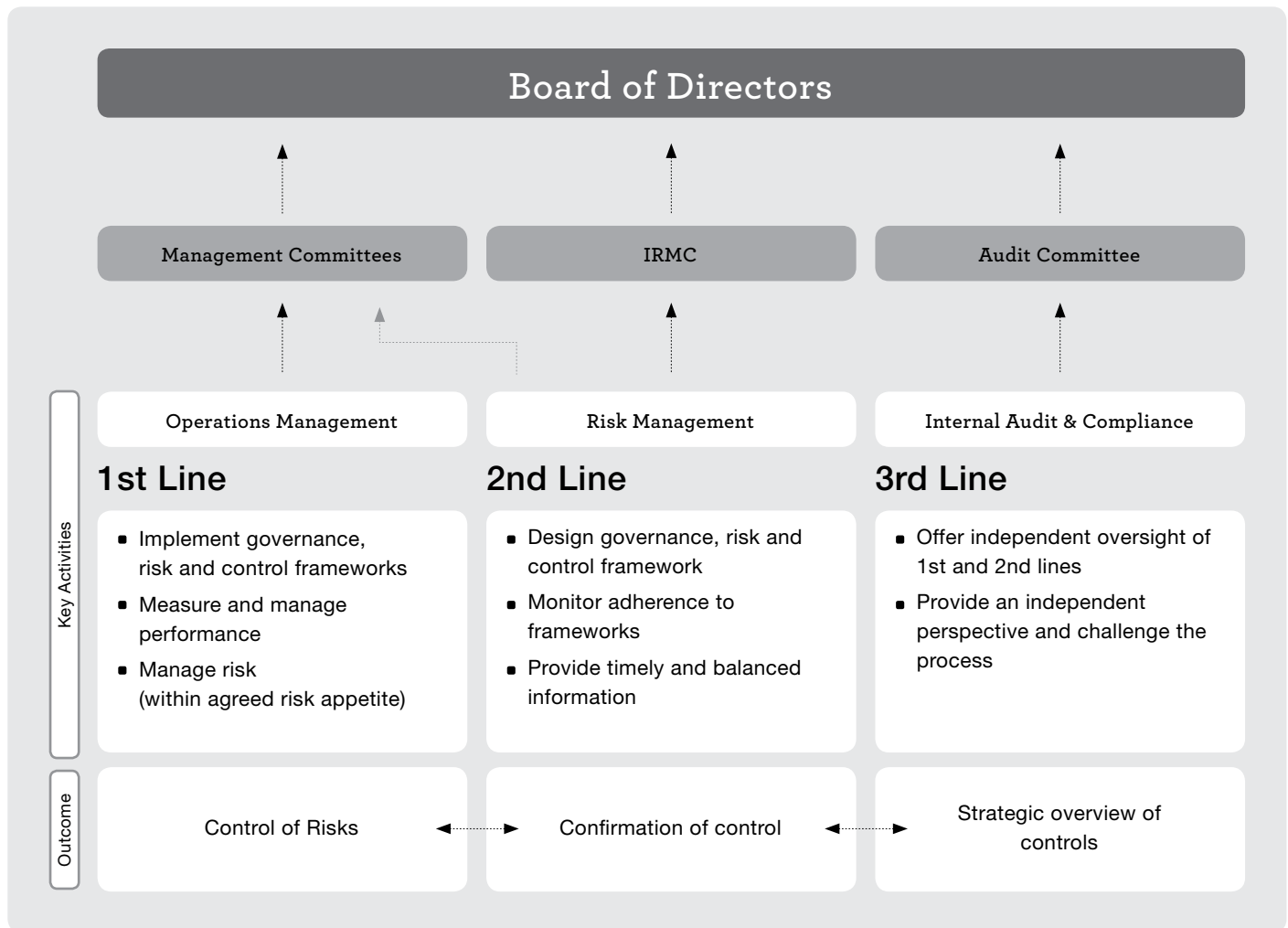
The Third Line of Defence (3rd LoD) is Bank's internal audit and compliance which are independent and assure oversight of the robustness of the risk management function.

|                                      | 2016<br>LKR million | 2015<br>LKR million | 2014<br>LKR million |
|--------------------------------------|---------------------|---------------------|---------------------|
| Available capital                    | 109,607             | 92,245              | 79,929              |
| Credit risk                          | 73,608              | 59,816              | 48,955              |
| Market risk                          | 1,987               | 2,529               | 2,689               |
| Operational risk                     | 9,522               | 8,242               | 7,336               |
| Regulatory buffer*                   | 5,320               | -                   | -                   |
| Total capital usage                  | 90,437              | 70,588              | 58,980              |
| Additional regulatory buffer**       | 9,576               | -                   | -                   |
| Free capital available for expansion | 9,594               | 21,657              | 20,949              |
| Credit risk/Total RWA (%)            | 87                  | 85                  | 83                  |
| Market risk/Total RWA (%)            | 2                   | 3                   | 5                   |
| Operational risk/Total RWA (%)       | 11                  | 12                  | 12                  |
| RWA/Total assets (%)                 | 51                  | 45                  | 44                  |

\* Regulatory buffer required by Basel III guidelines as at 31 December 2016 (difference between 10% and 10.625%)

\*\* Regulatory buffer required by Basel III guidelines as at 1 July 2017 (difference between 10.625% and 11.75%)

The 3 LoD model covers comprehensive integrated risk management approach of the Bank and is independent of one another and is accountable for maintaining structures that ensure adherence to the designed principles at all levels.



The risk profile established by the Bank includes requirements to highlight the established policies/limits, process for identification, measurement, mitigation, controlling, monitoring and reporting of limits and a list of internal controls for each of the identified material risk for the Bank.

Risk strategy is approved by the Board on an annual basis and is defined based on the strategic business plan, risk appetite and capital plan in order to align risk, capital and performance targets.

Cross-risk analysis and risk reviews are conducted to validate that sound risk management practices and a holistic awareness of risk exist.

All material risk types are managed via risk management processes, including credit risk, market risk, operational risk, liquidity risk, business risk, reputational risk, model risk, strategic risk and compliance risk. Quantifying and allocation of capital for material risks are carried out through various models and measurement tools developed by IIRMD.

Conducting periodic stress testing and escalating the results to senior management, respective committees and the Board is an integral part of the Bank's risk management process.

Integrated Risk Management Software (IRMS) procured in the year 2015 completed its successful implementation

during the current year showcasing a leapfrog enhancement in all risk management functions.

IIRMD ensures that the Bank has a well articulated Disaster Recovery Plan and Business Continuity Plan to provide the escalation path for crisis management.

Strategic planning encompasses the Bank's philosophy towards risk management and describes broad measures employed to balance risk and performance. This is achieved through formulating a comprehensive risk appetite for all risk types.

## Risk Appetite

The Bank's risk appetite is defined by the Risk Appetite Statement approved by the Board, which is governed by the Risk Appetite Framework. The framework also serves to reinforce our risk culture through the vision of the Board and senior management which is an articulation of risk that we are willing to accept. This is critically important as the Board approves the Risk Appetite Statement and ensures its consistency with the Bank's risk and strategic goals.

The Bank's risk appetite considers the various risk types and is operationalised through limits and thresholds, policies, processes and controls. Threshold and limit structure provides a framework in driving risk appetite into our businesses.

The Bank's Risk Appetite Statement comprises qualitative and quantitative thresholds which are further divided into strategic and business levels. Portfolio risk limits for the quantifiable risk types are cascaded through a top down approach and operationalised through formal frameworks. Other significant risk aspects are guided by qualitative expression of principles.

Critical aspects such as regulatory breaches, damage to the Bank's reputation, major business disruptions and concerns over due diligence events relating to the Bank's existence are considered as having zero risk appetite.

In order to ensure that the thresholds emanating from risk appetite are fully risk sensitive to individual risk drivers as well as portfolio effects, we have adopted capital as our primary metric. Capital is also deployed as a core component in our Internal Capital Adequacy Assessment Process (ICAAP). In addition to capital measures various operational level risk limits are in place to fully operationalise the Bank's risk appetite.

| Key Risks        | Aspect                | Risk Limiting Thresholds                                                                             |
|------------------|-----------------------|------------------------------------------------------------------------------------------------------|
| Credit Risk      | Default Risk          | Gross Non-Performing Assets<br>Provision Cover                                                       |
|                  | Concentration Risk    | Single Borrower Limits for Groups and Individuals<br>Industry/Sector                                 |
| Market Risk      | Foreign Exchange Risk | Exposure limits<br>VaR limits                                                                        |
|                  | Interest Rate Risk    | Gap limits<br>PVBP limits                                                                            |
|                  | Equity Price Risk     | Portfolio limits<br>VaR limits                                                                       |
| Liquidity Risk   |                       | Liquid Assets Ratio<br>Maturity Gap limits<br>Advances to Deposits Ratio<br>Liquidity Coverage Ratio |
| Operational Risk |                       | Loss limits – Bank-wide<br>Business unit wise                                                        |

## ICAAP

The Internal Capital Adequacy Assessment Process is to identify and accurately assess the significance of all the material risks faced by the Bank. ICAAP is an integral part of the management and decision-making culture of the Bank. The risks identified must be quantified by translating these into capital requirement. It is important that the ICAAP, as an activity, remains the responsibility of the senior management and the Board.

ICAAP is a forward-looking and risk based process which includes;

- Assessment and review of the capital needs based on the business plans
- A strategic planning process which aligns risk strategy and appetite with business objectives
- An optimum capital and stress testing framework which also includes specific stress tests to underpin business strategies
- Headroom assessment in terms of the overall capital available and detailed contingency plans

The Bank has identified Credit, Market, Operational, Liquidity and Interest Rate Risk in Banking Book, Reputational, Compliance, Credit Concentration, Strategic Risk and Group Risk as part of its ICAAP.

ICAAP Steering Committee which is headed by the General Manager initiates the ICAAP and Board takes remedial action in case of capital falling short of the targeted levels.

In addition, the Bank has established a stress testing programme to assess the capital requirements and shortfall in stressed scenarios.

## Stress Testing

Stress testing describes a range of techniques, qualitative and quantitative, used to assess the vulnerability of the Bank to major changes in the macroeconomic environment or to exceptional but plausible events. The objective of stress testing is to make risks more transparent by estimating the potential losses for the Bank in severe

but plausible scenario and assess the capacity of its earnings and capital to absorb potentially significant losses. The Board is primarily responsible for ensuring effective management of the stress testing in the Bank.

Stress testing drives increased risk awareness throughout the Bank and safeguard business continuity by means of proactive management. It assists the Bank in risk identification and control, complementing other risk management tools, improving capital and liquidity planning and facilitating business decision-making.

### Stress Testing Process

The Bank would use stress tests in order to understand the risk profile of the Bank under extreme negative market conditions and communicate same to the Board, IRMC, senior management and the stakeholders to facilitate setting up of suitable risk limits, allocating capital for various risks, managing risk exposures and formulating appropriate contingency plans for meeting situations that may arise under adverse circumstances. IIRMD plays a critical role for implementing the stress testing programme in the Bank.

Implementation of stress testing programme:

| Activity                                                               | Description                                                                                                                                                                                                                         |
|------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Risk Assessment                                                        | The ICAAP Steering Committee is responsible for the identification of material risks for the Bank.                                                                                                                                  |
| Stress Testing Plan                                                    | Stress tests are conducted on regular as well as ad hoc basis. The regular stress testing is carried out according to the Board approved stress testing policy and ad hoc stress testing is done as and when the situation demands. |
| Design Sensitivity Tests, Scenario Framework and Macroeconomic Factors | ICAAP Steering Committee in consultation with the research, finance and business departments develop sensitivity tests for the individual risks, integrated scenarios and macroeconomic scenarios for conducting stress testing.    |
| Identification of Risk Drivers                                         | Based on the identified material risks, drivers are identified which would lead to the eventual impact.                                                                                                                             |
| Measuring Results                                                      | The impact of risk drivers are identified on: <ul style="list-style-type: none"> <li>▪ Capital</li> <li>▪ Liquidity</li> <li>▪ Profitability</li> </ul>                                                                             |
| Implementation of Stress Testing Programme                             | On completion of the above activities, the scenarios/sensitivity tests are deployed by ICAAP Steering Committee to get the relevant output for the various material risks identified.                                               |
| Aggregation of Results                                                 | The results of the stress testing programme would be aggregated across risk categories based on selected scenarios/sensitivity tests for aggregation.                                                                               |
| Review and Reporting of Results                                        | The results of stress testing are presented to the IRMC for review and approval based on which the management action plans would be finalised.                                                                                      |
| Application in Management Decision-Making                              | The stress testing results would be used for the following management level decision points: <ul style="list-style-type: none"> <li>▪ Risk Appetite Planning</li> <li>▪ Capital Planning</li> <li>▪ Liquidity Management</li> </ul> |

### Credit Risk Management

Credit risk is defined as the potential that a bank borrower or counterparty will fail to meet its obligations in accordance with the agreed terms. More than 80% of the total risk weighted assets of the Bank accounts for the credit risk arising from lending and investment activities. Bank manages the credit risk inherent in the entire portfolio as well as the risk in individual credits and transactions covering the diversified customer base. The Bank caters to

a customer base which is spanned the country and overseas locations encompassing individuals, micro, SMEs, large corporates and the state which are with different appetites for credit. The Bank wishes to maximise risk adjusted rate of return by maintaining credit risk exposures within acceptable parameters by managing credit risk. Granting loans and advances being the core business of the Bank, the successful management of credit risk is a critical factor for the Bank’s dominant market position.

## **Credit Risk Governance**

The credit risk governance establishes the responsibility and approach through which the Board of Directors and senior management govern its business and the related credit risk management issues. An effective governance framework ensures the independence of the credit risk management function from the personnel managing the credit origination and administration. Through an effective, Board approved risk governance framework, the Bank seeks to ensure adequate risk oversight, monitoring and reporting of credit risk.

The Credit Committee which is headed by the General Manager of the Bank is the main management level Committee responsible for credit risk management.

The Credit Committee:

- Formulates, reviews and implements credit risk appetite and ensures compliance with the Board approved risk parameters and monitors risk concentrations
- Ensures the Bank's policies and guidelines in regard to credit risk, incorporates regulatory compliance
- Approves sanctioning of credit up to its delegated authority limit or makes appropriate recommendations to the Board
- Reviews the credit limits from time to time with a view to monitor and ensure maintenance of credit quality

Credit risk management policy lays down the conditions and guidelines for granting, maintenance, monitoring and management of credit at both the transaction and portfolio levels. This policy is consistent with prudent practices, regulatory requirements and nature and complexity of the Bank's activities.

Credit risk management function is independent from our business divisions and credit decision standards, processes and principles are consistently applied in corporate segment and retail segment.

Business divisions being the 1st LoD select the customers after having client credit due diligence which is a key principle of credit risk management.

In order to get rid of concentration risk and tail risks a diversified credit portfolio is maintained by assessing and managing borrower and industry specific concentrations against our risk appetite.

## **Identification, Assessment and Monitoring**

New credit facilities, extensions and any material changes to existing credit facilities are subject to the approval of appropriate delegated authority level.

Credit risk is measured by credit rating which is an essential part of the Bank's credit process and builds the basis for our risk appetite on an individual and portfolio level. While the corporate borrowers are rated using an array of rating models covering different industries the customers are in, scorecards are used for retail exposures. Procedures are in place to review the large credit exposures by the CRO.

Credit risk is managed by thoroughly understanding our customers, the business they are in, and economies in which they operate. Procedures are also in place to identify the credit exposures for which there may be an increased risk of loss at an early stage.

In order to reduce potential credit losses and to increase the recovery of obligations credit risk mitigants are applied.

Post sanctioning review of large credit exposures is carried out periodically by the Credit Quality Assurance Unit at IIRMD.

IIRMD measures and tracks the status of the credit portfolio, undertakes impact studies and identifies early warning signals pointing to a deterioration of the financial health of the borrowers. Credit risk management reports are presented

to the Credit Committee and the IRMC on a regular basis to ascertain performance and portfolio concentration.

## **Collateral Management**

Collateral is a security in the form of an asset or third-party obligation that serves to mitigate the inherent risk of credit loss, by either substituting the borrower default risk or improving recoveries in the event of a default. While collateral can be an alternative source of repayment, it generally does not replace the necessity of high quality lending standards and a thorough assessment of the debt service ability of the borrower.

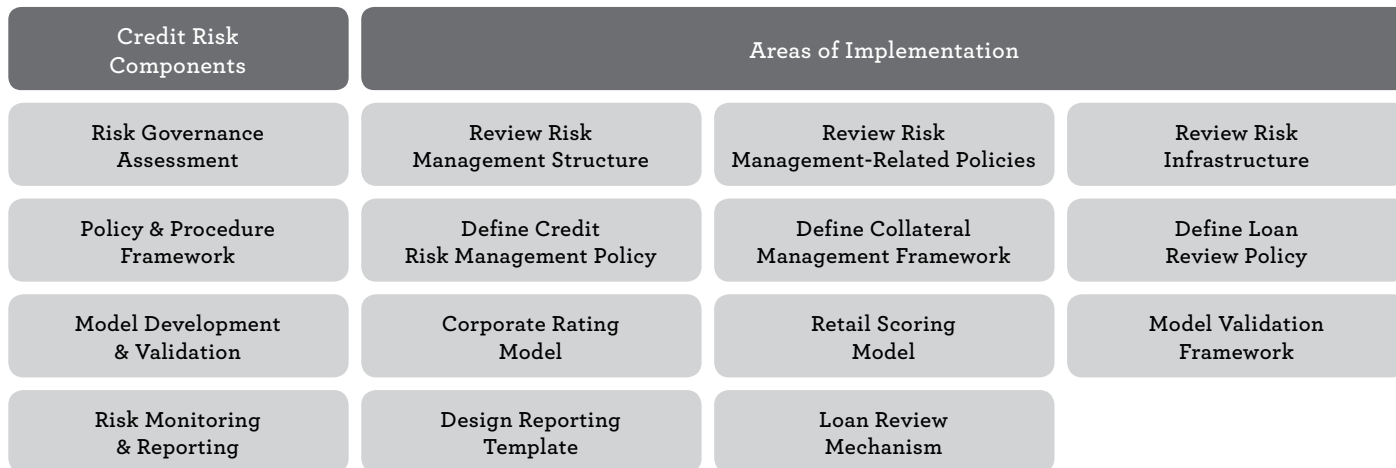
The Bank seeks to ensure that the collateral accepted for risk mitigation purposes is of high quality. Documentation for collateral has to be legally effective and enforceable. As the secondary source of repayment collateral is measured and revalued to minimise losses in an eventuality.

## **Concentration Risk**

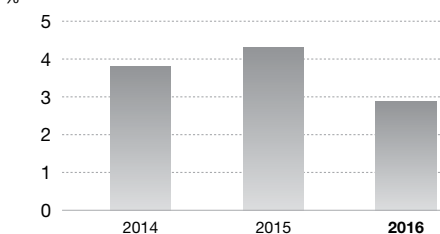
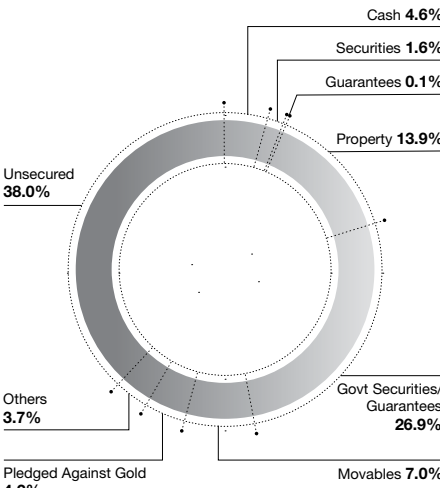
Concentration of exposures under various categories including industry, products, geography, sectors, underlying collateral nature and single/group borrower exposures create credit concentration risk.

The Bank monitors credit risk on a portfolio basis to manage concentration risk. Limits have been stipulated on single borrower, borrower group and industry. The Bank's loan portfolio is diversified across different industries and geographic regions. The Bank has established appropriate limits to maintain concentration risk at an acceptable level and significant concentrations are reported to the Credit Committee, IRMC and the Board for review. Analytical tools are used to quantify the concentration risk of the Bank.

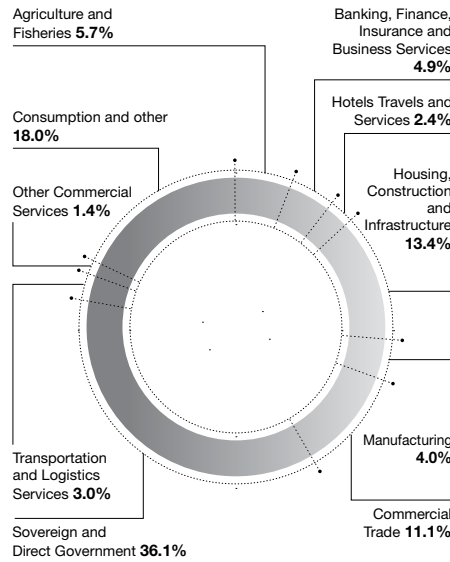
## Credit Risk Management Framework



## Credit Risk Indicators

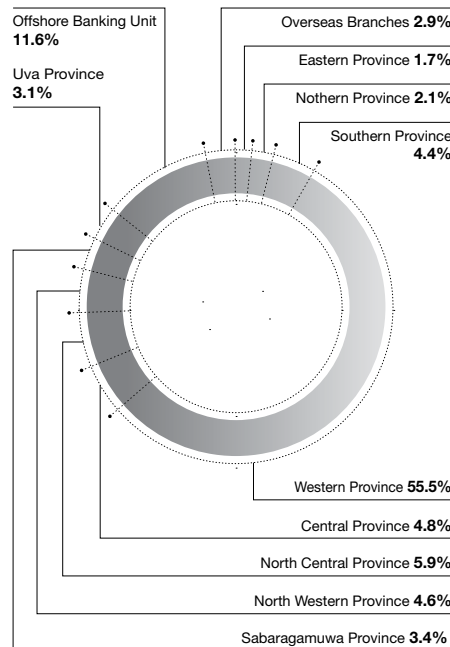
| Risk Factor                                                                                                           | Risk Indicators                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Remarks  |               |           |       |          |       |                            |       |                                                                                                                                 |      |                      |      |        |      |      |      |            |      |            |      |                                                                                  |
|-----------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|---------------|-----------|-------|----------|-------|----------------------------|-------|---------------------------------------------------------------------------------------------------------------------------------|------|----------------------|------|--------|------|------|------|------------|------|------------|------|----------------------------------------------------------------------------------|
| <p><b>Default Risk</b><br/>Potential loss due to borrower/counterparty unable or unwilling to meet its obligation</p> | <p><b>NPA Ratio</b></p>  <table border="1"> <caption>NPA Ratio (%)</caption> <thead> <tr> <th>Year</th> <th>NPA Ratio (%)</th> </tr> </thead> <tbody> <tr> <td>2014</td> <td>3.8</td> </tr> <tr> <td>2015</td> <td>4.3</td> </tr> <tr> <td>2016</td> <td>2.9</td> </tr> </tbody> </table>                                                                                                                                                                                                                                                                                                                                                           | Year     | NPA Ratio (%) | 2014      | 3.8   | 2015     | 4.3   | 2016                       | 2.9   | <p>The Bank's continuous reviewing and strong follow-up mechanism for speedy recovery of its NPA yielded very good results.</p> |      |                      |      |        |      |      |      |            |      |            |      |                                                                                  |
| Year                                                                                                                  | NPA Ratio (%)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |          |               |           |       |          |       |                            |       |                                                                                                                                 |      |                      |      |        |      |      |      |            |      |            |      |                                                                                  |
| 2014                                                                                                                  | 3.8                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |          |               |           |       |          |       |                            |       |                                                                                                                                 |      |                      |      |        |      |      |      |            |      |            |      |                                                                                  |
| 2015                                                                                                                  | 4.3                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |          |               |           |       |          |       |                            |       |                                                                                                                                 |      |                      |      |        |      |      |      |            |      |            |      |                                                                                  |
| 2016                                                                                                                  | 2.9                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |          |               |           |       |          |       |                            |       |                                                                                                                                 |      |                      |      |        |      |      |      |            |      |            |      |                                                                                  |
|                                                                                                                       | <p><b>Collateral wise Exposure – 2016</b></p>  <table border="1"> <caption>Collateral wise Exposure – 2016</caption> <thead> <tr> <th>Category</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>Unsecured</td> <td>38.0%</td> </tr> <tr> <td>Property</td> <td>13.9%</td> </tr> <tr> <td>Govt Securities/Guarantees</td> <td>26.9%</td> </tr> <tr> <td>Movables</td> <td>7.0%</td> </tr> <tr> <td>Pledged Against Gold</td> <td>4.2%</td> </tr> <tr> <td>Others</td> <td>3.7%</td> </tr> <tr> <td>Cash</td> <td>4.6%</td> </tr> <tr> <td>Securities</td> <td>1.6%</td> </tr> <tr> <td>Guarantees</td> <td>0.1%</td> </tr> </tbody> </table> | Category | Percentage    | Unsecured | 38.0% | Property | 13.9% | Govt Securities/Guarantees | 26.9% | Movables                                                                                                                        | 7.0% | Pledged Against Gold | 4.2% | Others | 3.7% | Cash | 4.6% | Securities | 1.6% | Guarantees | 0.1% | <p>62% of the credit exposure is collateralised mitigating the default risk.</p> |
| Category                                                                                                              | Percentage                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |          |               |           |       |          |       |                            |       |                                                                                                                                 |      |                      |      |        |      |      |      |            |      |            |      |                                                                                  |
| Unsecured                                                                                                             | 38.0%                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |          |               |           |       |          |       |                            |       |                                                                                                                                 |      |                      |      |        |      |      |      |            |      |            |      |                                                                                  |
| Property                                                                                                              | 13.9%                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |          |               |           |       |          |       |                            |       |                                                                                                                                 |      |                      |      |        |      |      |      |            |      |            |      |                                                                                  |
| Govt Securities/Guarantees                                                                                            | 26.9%                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |          |               |           |       |          |       |                            |       |                                                                                                                                 |      |                      |      |        |      |      |      |            |      |            |      |                                                                                  |
| Movables                                                                                                              | 7.0%                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |          |               |           |       |          |       |                            |       |                                                                                                                                 |      |                      |      |        |      |      |      |            |      |            |      |                                                                                  |
| Pledged Against Gold                                                                                                  | 4.2%                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |          |               |           |       |          |       |                            |       |                                                                                                                                 |      |                      |      |        |      |      |      |            |      |            |      |                                                                                  |
| Others                                                                                                                | 3.7%                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |          |               |           |       |          |       |                            |       |                                                                                                                                 |      |                      |      |        |      |      |      |            |      |            |      |                                                                                  |
| Cash                                                                                                                  | 4.6%                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |          |               |           |       |          |       |                            |       |                                                                                                                                 |      |                      |      |        |      |      |      |            |      |            |      |                                                                                  |
| Securities                                                                                                            | 1.6%                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |          |               |           |       |          |       |                            |       |                                                                                                                                 |      |                      |      |        |      |      |      |            |      |            |      |                                                                                  |
| Guarantees                                                                                                            | 0.1%                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |          |               |           |       |          |       |                            |       |                                                                                                                                 |      |                      |      |        |      |      |      |            |      |            |      |                                                                                  |

| Risk Factor                                                                                                                                 | Risk Indicators                                       | Remarks                                                                         |
|---------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------|---------------------------------------------------------------------------------|
| <p><b>Concentration Risk</b><br/>Credit exposure being concentrated on one or few lending sectors, groups, insufficient diversification</p> | <p><b>Concentration by Industry Sector – 2016</b></p> | <p>Sector exposure are within the risk appetite limits (in absolute terms).</p> |



**Concentration by Geographic Region – 2016**

Significant concentration on Western Province is mainly due to financing infrastructure projects from which the country and economy would benefit as a whole.



## Market Risk Management

Market risk is defined as the potential for change in the market value of our trading positions. Market risk can arise from changes in interest rates, foreign exchange rates, equity prices and commodity prices. The main objective of market risk management is to optimise the risk reward relationship without exposing the Bank to unacceptable losses.

## Market Risk Governance

The Bank has a comprehensive framework for managing the market risk as laid down in the Market Risk Management Policy, along with other policies covering Asset and Liability Management, Foreign Exchange Risk, Liquidity Risk, Limit Management Framework, Stress Testing and Middle Office Operational Manual. These form the basis for structure, processes and controls in line with Basel II Standardised Measurement Method prescribed by the CBSL. These policies provide guidance on:

- Establishing and maintaining an appropriate structure for managing market risk
- Ensuring treasury operations are efficiently and effectively managed
- Establishing appropriate risk limiting thresholds for all areas of treasury activities including trading and investments
- Monitoring and managing impacts arising from the operating environment on relevant parameters, including results of stress testing

Bank's market risk consists of the followings:

- Trading market risk arises from trading activities of Government Securities denominated in local and foreign currency, equity and foreign exchange as well as in equivalent derivatives
- Traded default risk arising from defaults by counterparties
- Non-trading market risk arises from market movements in our banking book and from off-balance sheet items.

The Asset and Liability Management Committee (ALCO) is the key management committee that is entrusted with responsibility for managing market risk. ALCO comprises key corporate management members and is chaired by the General Manager. The Committee manages these risks through constant monitoring and implementing corrective actions through various mechanisms such as the management of advances, deposits and investment portfolios. Key functions of the Committee include decisions on product pricing, determining the optimum mix of assets and liabilities and stipulating the liquidity gap position and interest rate risk limits, formulating views on interest rates, setting benchmark lending rates and determining the asset and liability management strategy in light of the current and expected operating environment.

The Middle Office function plays a key role in monitoring market risk and is guided by a comprehensive framework of limits stated in the Limit Management Framework and Middle Office Operational Manual approved by the Board.

## Identification, Assessment and Monitoring

We gauge all types of market risks by a comprehensive set of risk measures reflecting internal and regulatory requirements. In order to adhere with internal and regulatory requirements, risks are measured by several internally developed risk metrics.

Our methodology to manage market risk is the application of risk appetite of which the limit framework is a key component. Value at risk (VaR), Price Value for Basis Point (PVBP), Duration, Stress Testing and Sensitivity Analysis are used for managing all types of market risk at an overall portfolio level.

VaR is a quantitative measure of the potential loss of fair value positions due to market changes that will not be exceeded in a defined period of time and with a 99% confidence level. Currently the Bank uses historical method for VaR calculation. Each portfolio has a separate VaR calculation according to risk types.

Business units are responsible for adhering to the limits against which exposures are monitored and reported. The market risk limits set by Market Risk Management unit and approved by the Board are monitored on a daily, weekly and monthly basis. Limit threshold exceptions are escalated to ALCO, IRMC and the Board.



**Market Risk Indicators**

| Risk Factor                                                         | Risk Indicators                                                                                    | Remarks                                                                                                                 |
|---------------------------------------------------------------------|----------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------|
| Foreign Exchange Risk – Risk arising from foreign exchange position | <p><b>Forex Open Position</b></p> <p>USD million</p> <p>— Amount<br/>— Limit</p>                   | Forex open position of the Bank was well within the Risk Appetite Limit throughout the year                             |
| Interest Rate Risk – Risk arising from bond portfolio               | <p><b>Duration</b></p> <p>Years</p> <p>— HTM - Bonds<br/>— HFT - Bonds</p>                         | The duration of the bond portfolio is monitored regularly to assess sensitivity of bond prices to interest rate changes |
| Equity Price Risk – Risk arising from equity price                  | <p><b>Equity VaR Monthly Average</b></p> <p>LKR million</p> <p>— VaR (LKR)<br/>— Risk Appetite</p> | Equity VaR position of the Bank was well within the Risk Appetite Limit throughout the year                             |

**Liquidity Risk Management**

Liquidity risk is the risk arising from potential inability to meet payment obligations when they are due or only being able to do so at excessive costs. The objective of the Bank’s Liquidity Risk Management Framework is to ensure that the Bank can fulfil its payment obligations at all times and manage funding risks within the risk appetite.

The Bank’s overall approach towards liquidity risk management is set out in the Liquidity Risk Management and Assets and Liability Management (ALM)

Policies which describe the range of strategies to manage liquidity. These include maintenance of sufficient liquid assets, the capacity to borrow from the money markets as well as forms of managerial interventions that improve liquidity. The ALCO which is headed by the General Manager is responsible for the management of liquidity risk.

The Board approves the liquidity and funding strategy of the Bank as well as the risk appetite, based on recommendations made by the ALCO.

**Identification, Assessment and Monitoring**

The primary method of identification to manage liquidity within the tolerance limits defined by the Bank is the Maturity Gap of Asset and Liability Statement. This analysis is carried out on a regular basis under normal and adverse scenarios.

The Bank strives to develop a diversified funding base with access to funding sources across retail and wholesale via local and overseas channels. The deposit base is diversified across retail, corporate and institutional customer segments.

In the event of a potential or actual crisis such as excessive credit growth, unexpected rollovers or defaults of large exposures and unpredicted deposit outflows the Bank has in place a liquidity contingency and recovery plan to ensure that decisive actions are taken to arrest the situation.

We use stress testing and scenario analysis to evaluate the impact of sudden and severe stress events on our liquidity position.

### Operational Risk Management

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. It includes legal risk but excludes business and reputational risk.

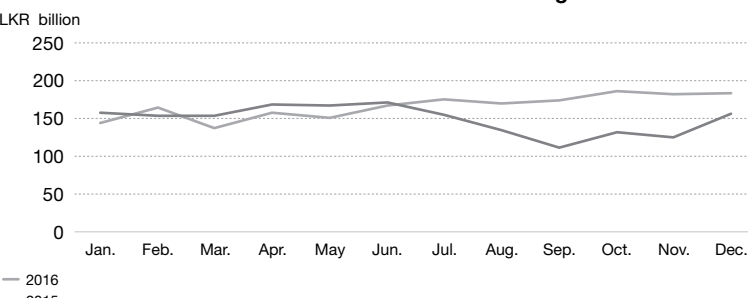
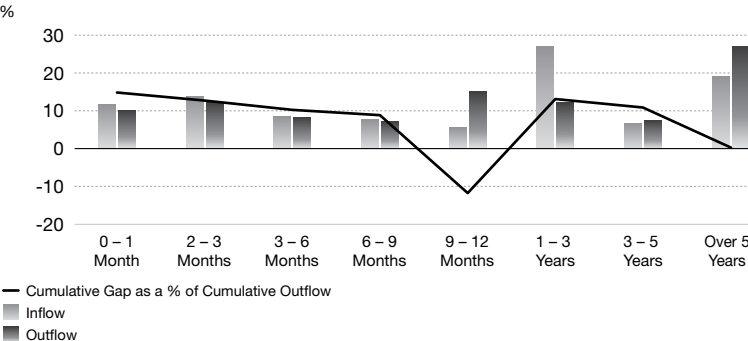
It originates from both business and support units of the Bank and is distinct and controlled within the criteria set out in the risk appetite through an effective and efficient system of internal controls.

Bank has strengthened its Operational Risk Management (ORM) capabilities, in line with the 3 LoD model and this is important as we manage day-to-day operational risks and strategic level operational risks.

As 1st LoD, risk owners have full accountability to manage their operational risks within the risk appetite. IIRMD that takes initiative in establishing the Operational Risk Management Framework and bank-wide risk appetite, is also responsible for laying down an appropriate independent controls structure as 2nd LoD. Bank’s Internal Audit and Compliance functions play a pivotal role as 3rd LoD in providing key inputs to further strengthen our operational risk culture.

Bank further enhanced its capabilities in ORM, with the implementation of IRMS. It enables the IIRMD to connect with its widely diversified branch network.

### Liquidity Risk Indicators

| Risk Factor                                                              | Risk Indicators                                                                                                                                  | Remarks                                                                                                                                                      |
|--------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Liquidity Risk – Inability to meet obligations as and when they fall due | <p><b>Unencumbered Securities Available for Funding</b></p>  | Unencumbered securities available for funding have improved in 2016 indicating a comfortable liquidity position.                                             |
|                                                                          | <p><b>Maturity Analysis of Assets and Liabilities</b></p>    | <p>Cumulative positive gap is maintained up to nine months by the Bank.</p> <p>Bank maintains positive gaps for all maturity buckets except 9-12 months.</p> |

## Operational Risk Governance

The operational risk governance establishes the responsibility and approach through which the Board of Directors and Senior Management govern its operational risk management. The Board approved Operational Risk Management Policy, Fraud Risk Management Policy, IT Risk Management Policy and Electronic Banking and Electronic Money Activities Risk Management Policy and procedures define the entire operational risk management governance of the Bank. IIRMD is responsible for identification, measurement, monitoring and reporting operational risk and also review of policy frameworks and procedures related to operational risk. It is supported by the Operational Risk Management Executive Committee (ORMEC) and the Fraud Risk Management Committee headed by the CRO. These committees' review reports and recommend corrective actions on a regular basis and make amendments to policies and procedures if required. Additionally, IIRMD has oversight responsibility for the Business Continuity Plan and reports to the IRMC on a regular basis on its functioning. Also CRO is a member of the Corporate Information Security Committee chaired by the General Manager which directs the information security initiatives of the Bank. IIRMD is represented in all new product initiative committees and appropriate sign off is provided prior to implementing new or improved products and processes. Similarly, all system developments, new system acquisitions and upgrades are reviewed by the IIRMD.

## Identification, Assessment and Monitoring

IIRMD uses several techniques to identify, assess and monitor operational risks which include Key Risk Indicators (KRI), Risk and Control Self Assessments (RCSA), Internal Loss Data Collection and Analysis, Root Cause Analysis and Lessons Learned Exercises. It also reviews and analyses external events to identify areas of risk and appropriate mitigating activities.

KRIs are forward looking operational risk management tool which provides early warning signals. KRIs are used to monitor the operational risk profile and alert the senior management to impending problems in a timely manner. Analyses of KRIs enable the Bank to monitor its control culture and business environment and enforce risk mitigating actions.

RCSA is a methodology that involves review and assessment of the operational risks across the Bank and the internal controls designed to manage those risks. IIRMD conducts RCSA in critical business and support units periodically to assess risk.

Loss Data Collection and Analysis which has been strengthened during the year with the implementation of IRMS captures operational risk loss events on a continuous basis, enabling timely updates from our geographically scattered branch network. Loss data reports are evaluated, reviewed and aggregated by IIRMD and escalated to ORMEC for recommendation to IRMC and the Board to take appropriate actions on a regular basis.

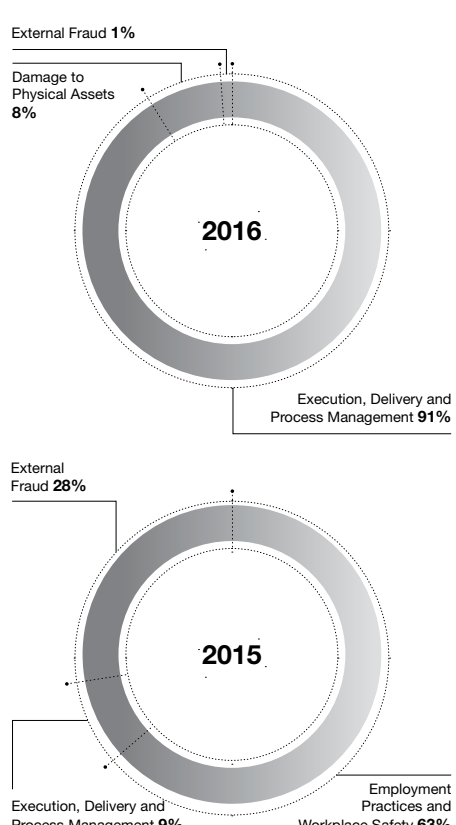
A Lessons Learned Process is activated for events including near misses and threats from FINTECH environment as preventive and remedial action taken to mitigate these critical risks: IIRMD will act promptly to send alerts to the branch network if threats are found to be from the external environment.

## Control and Mitigation

The Bank has in place a policy and procedure framework for managing operational risks. These include segregation of duties, clear management reporting lines, robust internal controls and business continuity management together with more targeted actions such as insurance, information security and outsourcing. Insurance instruments are used as a risk transfer strategy to mitigate high severity risk from non-controllable sources.

In accordance with the Business Continuity Management Policy all critical business and support units have developed their own Unit Business Continuity Plans. Three test runs were successfully completed during the year under review and detailed results were reported to relevant authorities. A fully-equipped disaster recovery centre is in place outside Colombo city limits with alternate arrangements to facilitate continuing key operations in the event of various predefined disaster scenarios.

Legal risk is assessed by ORMEC with the assistance of the Chief Legal Officer for legal implications arising from the Bank's operational risk issues.

| Risk Factor          | Risk Indicators                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Remarks |
|----------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------|
| Loss data management | <p><b>Reported Losses as per Basel Risk Events</b></p>  <p><b>2016 Data:</b></p> <ul style="list-style-type: none"> <li>Execution, Delivery and Process Management: 91%</li> <li>Damage to Physical Assets: 8%</li> <li>External Fraud: 1%</li> </ul> <p><b>2015 Data:</b></p> <ul style="list-style-type: none"> <li>Workplace Safety: 63%</li> <li>External Fraud: 28%</li> <li>Execution, Delivery and Process Management: 9%</li> </ul> |         |

## Reputation Risk Management

In a volatile global marketplace, where media coverage is almost simultaneous across the world and where reputation is seen as a key source of competitive advantage, trust and confidence are understood to be the key business drivers. For a bank which deals with public money, reputation is a source of strength. Reputation risk management can be a matter of corporate trust and also serves as a tool in crisis prevention. The Bank is therefore dedicated to managing reputation risk by promoting strong corporate governance and risk management practices at all levels.

The Bank has not faced any material adverse publicity, deposit runs or regulatory penalties and has created a strong brand recall in the minds of all stakeholders. The Bank uses a scorecard approach to assess the reputation risk.

### Reputation Risk Index 2016

| Risk Indicator          | Weighted Score |
|-------------------------|----------------|
| Operational loss events | 14.58          |
| Business loss events    | 5.00           |
| Market perception       | 23.33          |
| Management              | 12.50          |
| <b>Total</b>            | <b>55.41</b>   |

The results of the scorecard, shows lower risk for reputation risk. The consistent positioning of BoC as the leading brand in the country provides a high degree of comfort on the Bank’s ability to manage this risk.

## Strategic Risk Management

Strategic risk arises from the Bank’s inability to implement appropriate business plans, strategies, decision-making, resource allocation and to adapt to changes in business environment. The Bank operates in a highly competitive, dynamic and regulated environment. Inability to respond to frequent changes and demand for business will adversely affect the profitability and liquidity. The Bank’s strategic direction is well articulated in the Corporate Plan and the Corporate Budget. The Bank has in place a robust mechanism to ensure the congruence of the actual performance with the strategic direction. As part of the Bank’s ICAAP, strategic risk is assessed using a scorecard based model.

### Strategic Risk Index 2016

| Risk Indicator            | Weighted Score |
|---------------------------|----------------|
| Industry/System           | 7.50           |
| Competition               | 17.19          |
| Strategic Plans           | 12.19          |
| Access to Capital Markets | 5.63           |
| Management                | 8.44           |
| <b>Total</b>              | <b>50.95</b>   |

According to the strategic risk scorecard parameters, strategic risk is low for the Bank.

## Readiness for Basel III Implementation

Consistency in the adoption and implementation of Basel standards is critical to improve the flexibility of the banking industry, promote public confidence and encourage a predictable, comparable and transparent regulatory environment for banks.

CBSL has issued the directions on capital requirement under Basel III which shall be applicable to every Licensed Commercial Bank (LCB) and Licensed Specialised Bank (LSB) incorporated in Sri Lanka, since 1 July 2017.

Accordingly, the Bank has developed and implemented a strong and sound ICAAP in accordance with the requirements specified in Regulatory Framework. The Bank's capital augmentation plan supports to maintain adequate capital to cover its exposures to all risks and preserve additional buffers considering the three-year plan of regulatory requirements. The Quantitative Impact Studies (QIS) carried out by IIRMD assist the ongoing analytical and monitoring process of capital requirement.

The initially implemented IRMS plays a comprehensive role in facilitating implementation of new regulatory requirements. This complements the development of a method of computing capital and also contributes to MIS requirements in adopting regulatory standards.

## **Compliance Risk**

Compliance risk is the threat posed on the Bank's financial, organisational, or reputational standing resulting from violations of laws, regulations, rules, codes of conduct or self-regulated organisational standards of practice applicable to the banking activities.

Compliance laws, rules and standards generally cover matters such as observing proper standards of market conduct, managing conflicts of interest, treating customers fairly, and ensuring the suitability of customer advice. They typically include specific areas such as the prevention of money laundering and terrorist financing.

In this connection to strengthen the Compliance Risk Management Programme, the Bank has implemented a robust framework which clearly identifies and assesses risks, implement and monitor controls, mitigate and eliminate the gaps/deviations across all levels of operations. Further, the Bank has Board approved comprehensive Compliance and Anti Money Laundering/Combating Financing Terrorism policies embedded into the Bank's strategic plan which is communicated to each member across the Bank.

We, at Bank of Ceylon strongly believe that managing compliance risk effectively maximises the Bank's opportunities in the market and enhances our competitive advantage through building trust. It helps us to protect our hard built reputation, lower the cost of capital, reduce costs and mitigate the risk of investigations, prosecutions and penalties because we do the right things the right way.

## **Compliance Function**

The Compliance Function has been set up in the Bank with the appropriate level of standing, authority and independence. It has been endowed with substantial resources to manage the compliance risk effectively amidst the proliferation of global regulations.

The prime responsibility of the Compliance Function is to assist the Board and the senior management to effectively manage the compliance risk faced by the Bank through advising them on the compliance laws, rules, regulations and the new developments, educating the staff and acting as a central contact point in handling compliance related queries from the staff.

The Compliance Function on a proactive basis, identifies, documents and assesses the compliance risks associated with the Bank's business activities, including the development of new products and business practices, new types of business or customer relationships, or material changes in the nature of such relationships.

To achieve this, the Compliance Function has a Board approved risk-based compliance programme subject to oversight by the Head of Compliance which ensures the adherence across the business.

## **Automation of AML/CTF Activities**

The Bank has implemented an automated Financial Crime Detection System – AMLOCK by 3i-infotech since the end of year 2014 which facilitates the Know Your Customer (KYC), Sanction Screening, Transaction Monitoring, Customer Risk Profiling and Regulatory Reporting requirements. In addition to the above, the Bank has procured the inbuilt solution from SWIFT to screen the outward remittances in real time. However, to further strengthen the AML/CTF activities of the Bank in parallel to the Risk Based Approach (RBA) by the Financial Intelligence Unit (FIU) of the Central Bank of Sri Lanka (CBSL) and to be on par with the global standards, the Management has approved the procurement of a new comprehensive real time AML/CTF system and plans to complete the implementation within the year 2017.

## **FATCA Compliance**

The Bank has become a Participating Foreign Financial Institution (PFFI) under the Foreign Account Tax Compliance Act (FATCA) with effect from 30 June 2014 under the Global Intermediary Identification Number (GIIN) WH2Q9Y.00000.LE.144.

The GIINs of the other overseas branches are as follows.

| Branch     | Country    | GIIN                |
|------------|------------|---------------------|
| Chennai    | India      | WH2Q9Y.00000.BR.356 |
| Male       | Maldives   | WH2Q9Y.00000.BR.462 |
| Seychelles | Seychelles | WH2Q9Y.00000.BR.690 |

## **Organisation Structure**

A senior executive management staff member has been designated as the Head of Compliance who spearheads the Compliance Function, an independent, dedicated unit which ensures the proper adherence of the compliance framework across the Bank. The Compliance Division comprises two separate units namely – Regulatory Compliance Unit and the Anti-Money Laundering/Combating Financing Terrorism Unit.

The Head of Compliance reports directly to the Board Integrated Risk Management Committee on a monthly and quarterly basis including any changes in the compliance risk profile based on relevant measurements such as performance indicators, summarise any identified breaches and/or deficiencies and the corrective measures recommended to address them, and report on corrective measures already taken.

In terms of the duties and responsibilities assigned to it, the Compliance Function has the right to carry out work on its own initiative across the business where compliance risk may exist, conduct investigations on possible breaches of compliance framework and to communicate with any staff member and obtain unfettered and direct access to any records or files necessary to continue with the investigations.

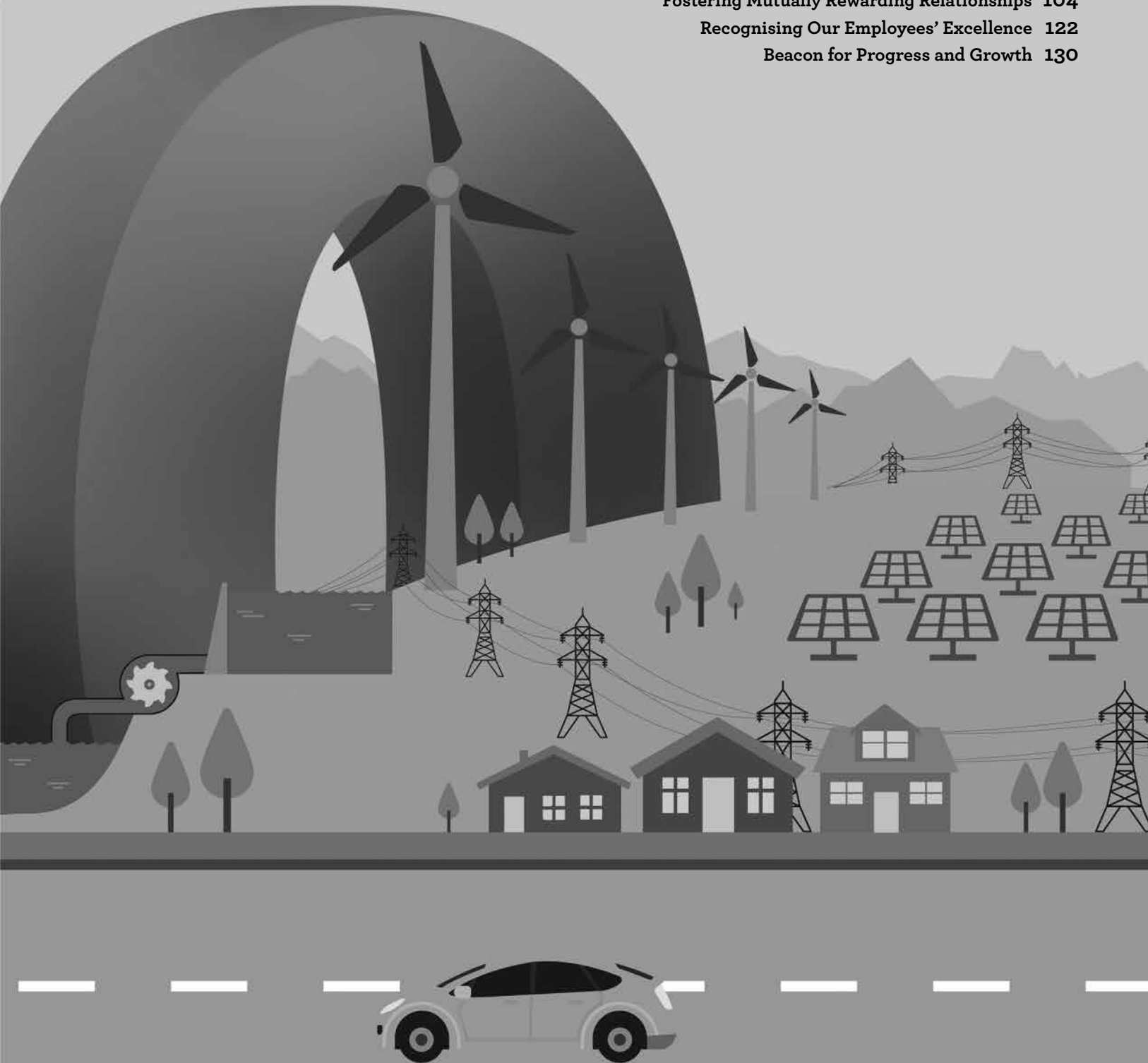
# Staying True to Our Mission

Profitable Catalyst for Equitable Development 96

Fostering Mutually Rewarding Relationships 104

Recognising Our Employees' Excellence 122

Beacon for Progress and Growth 130



The Bank has clear goals.

We want to enjoy mutually rewarding relationships with all our stakeholders, in an equitable sharing of optimal value.

We want to be an enabling employer, empowering our employees towards true self-development.

We are fully committed to nurturing and advancement of society and the environment.

All of this we underpin with emancipated strategy.







# PROFITABLE CATALYST FOR EQUITABLE DEVELOPMENT

## Achievements in 2016

- Profit Before Tax (PBT) of LKR 31.2 billion, highest ever in the history
- Three trillions in the Balance Sheet – Assets, Deposits and Loans and Advances
- Non-Performing Advances (NPA) reduced to 2.9% of gross loans

## Planned for 2017

- Preserving the market leadership
- Maintain cost of funds at optimum level
- Lower cost to income ratio
- Improve internal capital generation



6% growth in the  
Assets base to  
**LKR 1.7 trillion**



Loans and Advances  
**LKR 1.0 trillion**



Growth of  
**LKR 174.3 billion**  
in the Deposits base to  
**LKR 1.3 trillion**



## Financial Capital

Bank of Ceylon, having completed many fruitful years, now has closed 2016 with another trailblazing record of LKR 31.2 billion profit before tax with 23% growth. With this, BoC continues to break its own records by marking the highest ever profit made by a single entity. Profit After Tax (PAT) stood at LKR 24.8 billion resulting in 43% growth.

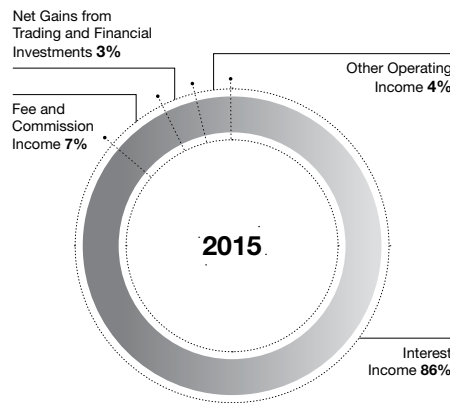
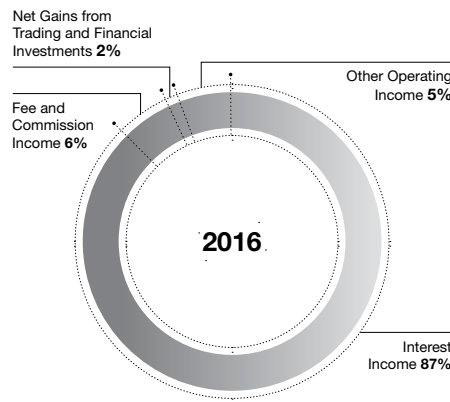
## Return on Financial Capital

### Total Income

Total income of the Bank grew by 17% during the year. Interest income accounted for 87% of the Bank's total income of which interest income generated through loans and advances, the core business of the Bank represented 61%.

Fee and commission income and net gains from trading and financial investments contributed 6% and 2% of the total income of the Bank respectively. Contribution made by other income has increased to 5% during the year showcasing the Bank's ability of making its targets a reality through various avenues among challenges.

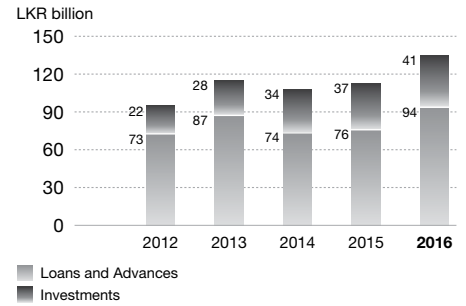
### Composition of Total Income



### Net Interest Income

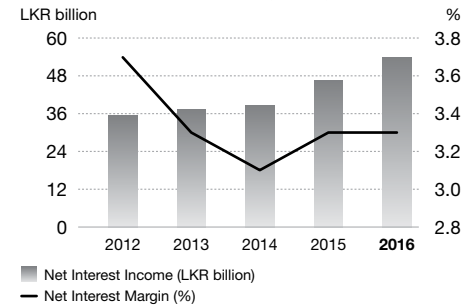
In 2016, many policy rates were changed affecting the market interest rate to move upward. In January 2016, Statutory Reserve Ratio (SRR) was increased by 150 basis points (bps) to 7.5% and Standing Lending Facility Rate (SLFR) and Standing Deposit Facility Rate (SDFR) also increased during the year up to 8.5% and 7.0%. Whilst, the increasing trend in market interest rates has resulted in an increase in both interest income and expenses, the Bank has managed to grow its net interest income by 17% from previous year. Interest Income from loans and advances increased by 24% during the year backed by 21% growth in loan portfolio. Interest income from investments, which accounted for 30% of the interest income grew by 10%, mainly backed by interest income from Government securities.

### Interest Income Composition



Interest expense increased to LKR 80.7 billion resulting in a 21% growth YoY. High interest rates scenario prevailed throughout the year encouraged the customers to move from saving deposits to time deposits which is high yielding investment source to them. As a result, the CASA ratio (Current and Savings deposits to total deposits) moved down from 46.5% to 43.4%. However, the Bank's continuous monitoring and development plans on its fund management activities helped the Bank to continue its Net Interest Margin (NIM) at the same level as that of previous year. As a result, the Bank's profitability was not impacted.

### Net Interest Income (NII) & Net Interest Margin (NIM)



### Non-Interest Income

Non-interest income accounted for 13% of total revenue of the Bank comprising fee and commission income, gains derived through trading activities and other operating income. During the year net fee and commission income

showed a decline of 8% due to subdued performance experienced across the export industry and increase in commission expense considerably on correspondent banking activities.

However, an impressive growth in other operating income of 59% demonstrated the diversity of the Bank's sources of revenue. The Bank disposed its stake in Mireka Capital Land (Private) Limited which was acquired in 2003, one of its associate companies during the year and a capital gain of LKR 3.1 billion derived through this transaction was included in other operating income.

### Impairment Charges

Reduction of 25% in total impairment charges through a reversal in provision following improved asset quality has also complemented the increase in net operating income. The reversal of collective impairment charges was as a result of persistent efforts in recoveries and sturdy follow ups, leading to significant improvements in quality of the loan portfolio at the branch level.

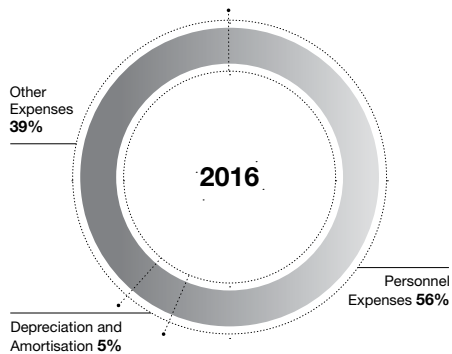
Gross NPA ratio which is calculated as per regulatory norms stood at 2.9% at the end of 2016 compared to 4.3% recorded as at 31 December 2015, bringing down the NPA ratio to industry level.

### Operating Expenses

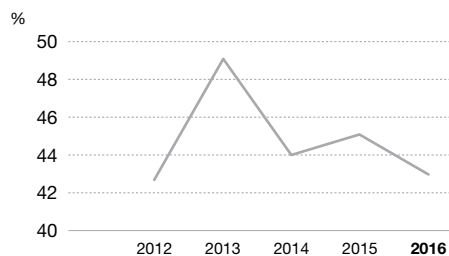
Operating expenses mainly consisting of personnel expenses and administrative expenses went up by 7% from previous year. Expenses on one of the Bank's most valuable capitals i.e. employees amounted to LKR 16.8 billion for the year. Other operating expenses increased by 17% due to increase in fixed assets maintenance expenses, rent expenses and increase in deposit insurance premium with the increase in the deposit base.

However, depicting the Bank's effective cost benefit management, and capacity of utilisation cost to income ratio came down to 43% from 45% compared to previous year.

### Operating Expenses



### Cost to Income Ratio



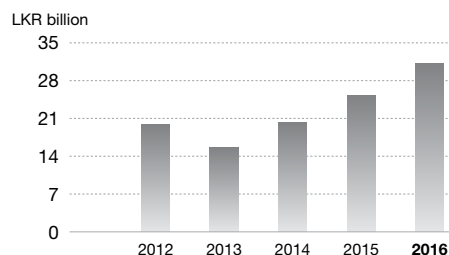
### Profitability

BoC continues to maintain its profit momentum at the highest level in the industry. This year, the Bank recorded its highest ever PBT in the history of LKR 31.2 billion, a growth of LKR 5.9 billion or 23%. The Bank's strategic plan for the year was aligned with the local and global environmental trends and depicting the Bank's capability of crafting dynamic driving tool, BoC achieved all of its set targets for the year. It is noteworthy that the Bank has been able to record 5-year Compound Annual Growth Rates of 12% and 15% respectively in PBT and PAT.

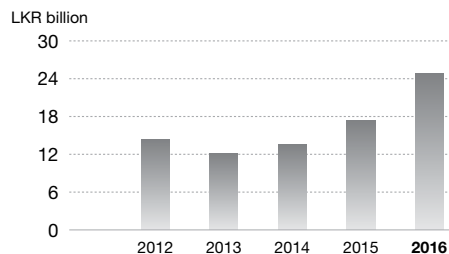
### Return on Average Assets (RoAA) and Return on Average Equity (RoAE)

Both RoAA and RoAE improved over the year's consequent to the improved profitability. This demonstrates the Bank's strength and capability of generating better return to its shareholder.

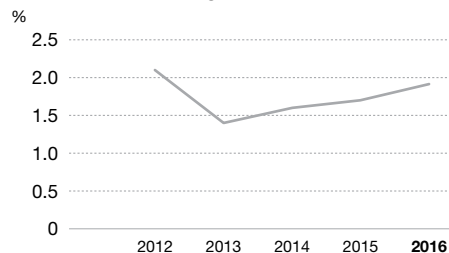
### Profit Before Tax



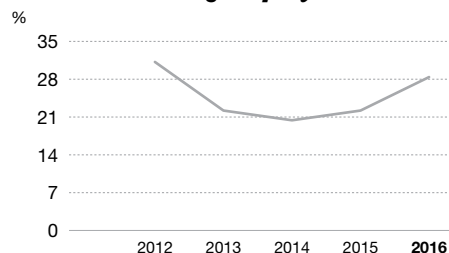
### Profit After Tax



### Return on Average Assets



### Return on Average Equity





### Assets

The Bank grew its assets base, the biggest in the industry, further to LKR 1.7 trillion with 6% growth rate. The Bank's financial wealth is clearly apparent in its Balance Sheet, with interest earning loan portfolio and financial investments accounting for more than 90% of the assets base.

The Bank's net loans and advances of LKR 1.0 trillion denotes 60% of the total assets contributing significantly to return on the assets. Further, the Bank maintains a diversified investment portfolio in order to capitalise on market gains and also to derive interest income. The Bank has LKR 243.2 billion of held to maturity financial investments and LKR 191.9 billion of loans and receivable financial investments.

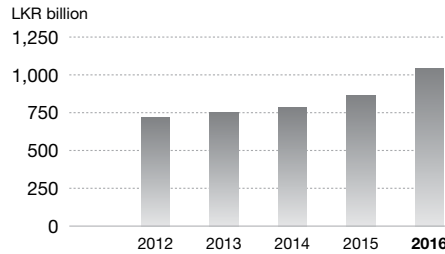
### Loans and Advances

Gross loans and advances which stood at LKR 869.3 billion at the end of previous year went up to LKR 1.0 trillion during the year, which is the Bank's third trillion in the Balance Sheet.

Loan growth of 21% is a rewarding growth considering the challenges that prevailed in the industry by way of high interest rates, low liquidity position and competitive pressure through innovative product strategies, etc. Personal loans, term loans and overdrafts contributed mostly to the growth momentum in the loan portfolio. Many process developments deployed in the recent past bore fruits as evident from the continuing growth momentum. The Bank's strategy of maintaining an optimum mix exposure between private and Government portfolios resulted in a reduction in its Government exposure from 40% to 30% by end 2016.

Confirming the aptness of the Bank's strategy of expanding its overseas presence, during the year our overseas branches showed tremendous improvement and contributed to the growth by reporting 42% growth in loans and advances.

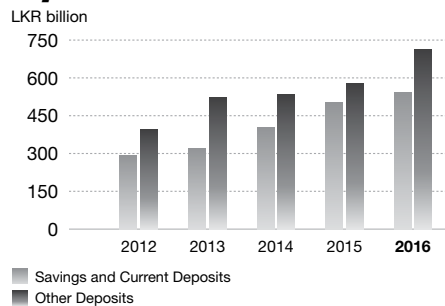
### Gross Loans



### Deposits

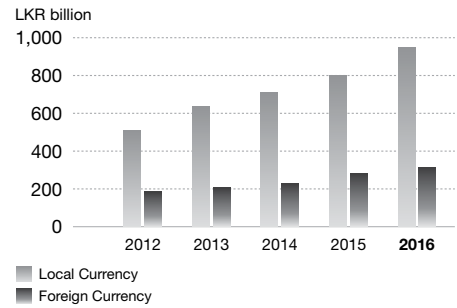
The Bank possesses the biggest deposit base in the industry and accounts for 20% of the market share. Deposit base grew by LKR 174.3 billion to LKR 1.3 trillion reporting 16% increase YoY. Out of the total deposit base 75% is represented by local currency deposits which have grown by 18% during the year. High interest rates that prevailed throughout the year led to increase in both local and foreign currency time deposits by LKR 133.3 billion reporting 23% growth. As a result, CASA ratio of the Bank moved downward which was experienced industry wide.

### Deposits

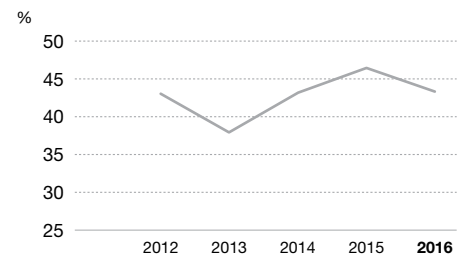


### Deposits

#### (Local Currency vs Foreign Currency)



### CASA Ratio



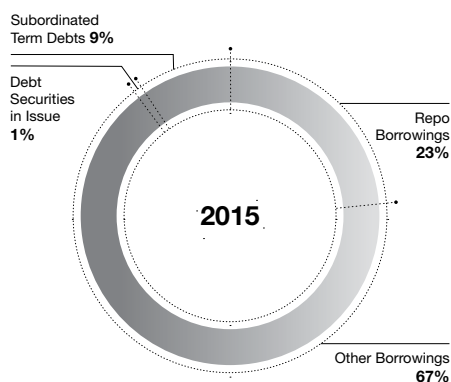
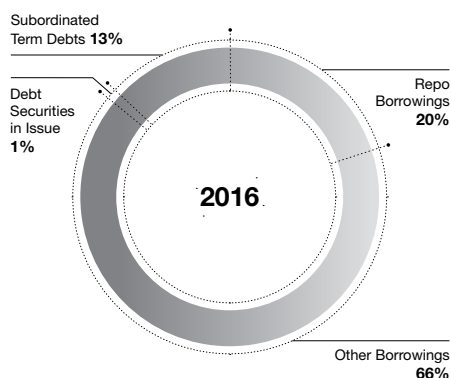
### Borrowings

Borrowings of the Bank reduced by LKR 79.5 billion during the year which is 21% drop compared to previous year. This decline was reported mainly from the REPO borrowings and term borrowings from overseas banks.

This planned reduction was initiated in line with fund management strategies that the Bank has been adopting.

During the year, the Bank issued LKR 8.0 billion worth of unsecured subordinated redeemable debentures.

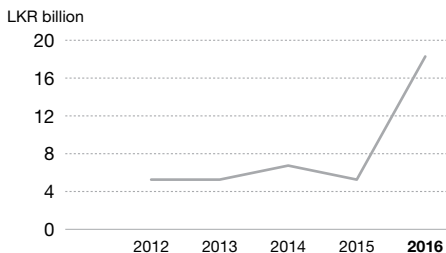
### Borrowings



### Dividends

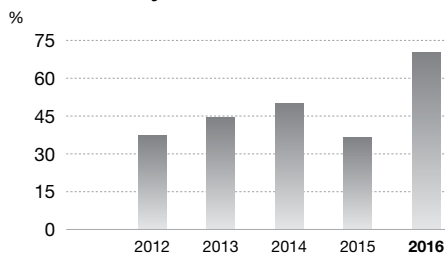
During the year 2016, the Bank has paid a significant dividend amount of LKR 17.3 billion to its sole shareholder, the Government of Sri Lanka which is an increase of LKR 11.0 billion from the year 2015. The Bank has identified its responsibility towards the nation's development and being the No. 1 Bank in the Country has supported the Government initiatives.

#### Dividends Paid



The dividend payout ratio for the year 2016, stood at 70%, whereas the same is 36% for the previous year. This denotes the Bank's contribution towards the Government for its growth momentum.

#### Dividend Payout



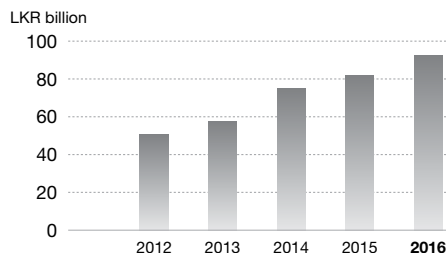
### Shareholders' Funds

A significant increase of 14% was reported in shareholder's funds which stood at LKR 92.8 billion at the end of year 2016 moving upwards from LKR 81.5 billion from last year. This upward movement was backed by the increase in retained profits and the capital infusion of LKR 5.0 billion to the Bank by the Government of Sri Lanka.

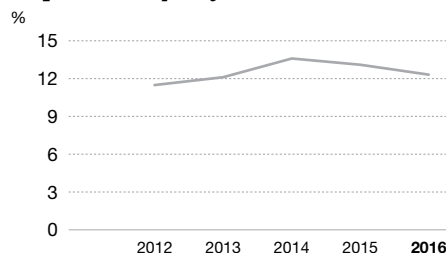
Tier I capital adequacy ratio stood at 8.7% at the year end, against the regulatory requirement of 5%. Tier I & II capital adequacy ratio stood at 12.3% which is also above the regulatory requirement of 10%. As such, the Bank has been able to maintain its compliance to regulatory requirements as directed by the Central Bank of Sri Lanka. In addition, the statutory liquid assets ratio stood at 21.6%, above the regulatory minimum of 20%.

Further, the Bank was closely monitoring its capital adequacy ratio throughout the year, in view of the impending regulatory requirements under Basel III.

### Shareholder's Funds



### Capital Adequacy Ratio



### BoC Group structure

BoC has ten subsidiary companies as well as four associate companies that together, form the BoC Group. Group companies constitute 3% of total Group's assets and have been established over the history of BoC for strategic purposes. Of the ten subsidiary companies, five are fully-owned by BoC.

### Group Structure

The subsidiary companies are engaged in diverse activities such as financial services (MBSL), travel related services (BOC Travels), hydropower generation [Koladeniya Hydropower (Private) Limited] and the UK Subsidiary that carries on regulated financial services activities, to name a few. Some of the activities engaged by the associate companies include management of Unit Trust funds, stock brokering and property-related activities.



In line with the good governance practices followed by BoC, the subsidiary companies are managed under a subsidiary charter that includes an annual comprehensive subsidiary performance review. A representative from the Bank sits on most of the Boards to ensure that the interests of the Bank are taken care of and that the activities of the subsidiaries and associate companies are also conducted at the highest standards that are followed by the Bank. The financial performance of each subsidiary and associate is monitored by the Bank as the parent company and any indicators of financial distress are promptly brought to the attention of the management for corrective action. Simultaneously, risk management information is reported to the Chief Risk Officer of the Bank in order to ensure that the risks of Group companies are managed within acceptable levels and that the Group companies do not pose any undue risk to the Bank.

## **Manufactured Capital**

Manufactured capital is the stock of goods that we have built up to be used in our operations to add value to the stakeholders. Our physical infrastructure such as the branches, equipment that we use in our operations and our investment in technology fall under this category. This capital has a significant bearing on the value creation process as it enables us to enhance our services and provide a superior customer experience whether the customer visits a BoC branch or if he chooses to avail of our facilities on line. Investment made therein has also enabled us to achieve cost efficiencies in our operations and become environment friendly.

As of end 2016, our total investment in Property, Plant and Equipment including leasehold property stood at LKR 15.5 billion. This has a direct bearing on both the current value creation process as well as our future potential.

Our recent strategic focus on improving our technological offering in products in order to increase customer convenience and investment in the latest software to back our operations as well as the ongoing branch modernisation programme have increased our manufactured capital significantly. These investments ensure that our branches have state-of-the-art technology and modern conveniences for the benefit of our customers. Furthermore, our widespread ATM network as well as the CDMs ensure customer convenience and speed of service. Our digital channels, too provide convenience as well as speed of access.

Further, the investments made by us in the latest technology for operations and data management has strengthened our ability to successfully respond to regulatory changes relating to risk management and our compliance with statutory obligations such as Anti-Money Laundering requirements.

Global megatrends such as evolving role of information and communication technology in the provision of financial services and demographic shifts will call for significant investments in manufactured capital to stay ahead. The Bank will continuously review these development and take necessary steps to upgrade and augment the systems as required in order to add value to our stakeholders.

However, given that banking is fast becoming a capital-intensive business in the wake of ever increasing regulations, Bank is conscious of the financial capital that needs to be invested therein and the pressure it will exert on managing available capital and returns thereon and hence, the need to achieve the optimum trade-off.



1



2



3



4



5



3

### Awards

1. Compliance Award under Banking Sector Category – Annual Report Awards Competition by The Institute of Chartered Accountants of Sri Lanka
2. Merit award for Annual Report 2015 under State-Owned Enterprises category at the Excellence in Integrated Reporting Awards – 2016 by Institute of Certified Management Accountants of Sri Lanka
3. Winner – Public Sector Banking Institutions at SAFA Awards 2015
4. ‘Asia Best Employer Brand 2016’ hosted by Employer Brand Institute, World HRD Congress and Stars of the Industry Group along with the strategic partner CHRDA Asia
5. BoC’s General Manager Mr D M Gunasekara recognised as one of the ‘100 Global Sustainable Leaders’ at the ‘World Sustainable Congress’

- No. 1 Brand in the country for eight consecutive years ranked by Brand Finance Lanka, a subsidiary of Brand Finance Network (UK)
- Among the top 1000 Banks in the world since 2012 and ranked above all Sri Lankan banks by The Banker Magazine

### Ratings

- Global Ratings
  - Fitch Ratings: reaffirmed as B+ with a stable outlook
  - Moody’s: reaffirmed as B1 with a negative outlook
- Local Ratings
  - Fitch Ratings Lanka Limited: AA+ (lka) with a stable outlook
  - ICRA Lanka Limited: (SL) AAA with a stable outlook





## **Intellectual Capital**

Intellectual capital refers to the intangible assets that we have built up over the years such as the brand equity, business ethics, corporate culture, the value system, the intrinsic knowledge and integrity. By nature, these are hard to quantify but add tremendous value to our value creation process. They are the core values that set us apart and constitute the core of our franchise.

## **Brand Equity**

BoC has been named as the No. 1 Brand in Sri Lanka for eight consecutive year by Brand Finance Lanka, a subsidiary of Brand Finance (UK). Our Brand value is estimated to be LKR 41.4 billion, the highest value for a company in Sri Lanka. This encompasses the values, ethics and trust that we have built over the years as the 'Bankers to the Nation'.

## **Business Ethics, Corporate Culture and Values**

Our culture is built upon inculcating professionalism across the organisation and encourages transparency and ethical behaviour. We encourage superior customer service at all levels and has been the ingredient for our success. With a young and dynamic workforce, we inculcate a learning culture to groom the younger recruits to be the next generation leaders. We encourage creativity, openness and responsiveness to customer requirements. The receptiveness of the younger employees to embrace advancing technology is a definite advantage. A culture of compliance with applicable rules and regulations is inculcated in all employees from the time of joining. Integrity of all employees is encouraged through a code of conduct applicable to all employees and encouraged at all times.

## **Intrinsic Knowledge**

We encourage and provide various opportunities for our staff to further their knowledge and skills at all times. The learning and development process at BoC is structured and take into account the knowledge and skill gaps identified through the talent management process. Training programmes are conducted at the in-house training centre while more specialised trainings are conducted by guest lecturers. Employees are also nominated for training at other training institutes as well as for overseas training. Staff is rewarded for advancing their knowledge and acquiring further qualifications. The knowledge thus built up in employees and institutionalised becomes a valuable resource in the process of our value creation.

Over its 77-year history, Bank of Ceylon has rendered an invaluable service to the nation, providing banking services to Sri Lankans in all corners of the country, driving financial inclusivity, always lending a helping hand and uplifting and enriching their lives. At the same time, we have helped with the development of our national economy by partnering with the Government in their development activities, facilitating trade and other commercial activity. Our operations have always been conducted prudently and responsibly, upholding the highest ethical and professional standards, to the satisfaction of all stakeholders. Our financial strength lends us the stature to be the leader in the industry, adding value to our stakeholders. By fostering our relationship with the stakeholders we build mutually rewarding and lasting relationships.

By engaging effectively with our stakeholders we are able to identify how we can add value to each segment of stakeholders.

**Our operations have always been conducted prudently and responsibly, upholding the highest ethical and professional standards, to the satisfaction of all stakeholders. Our financial strength lends us the stature to be the leader in the industry, adding value to our stakeholders.**

# FOSTERING MUTUALLY REWARDING RELATIONSHIPS

## Achievements in 2016

- 14% increase in housing loan portfolio
- Increased private sector exposure
- Financial inclusion – ‘*Samata Ginumak*’, ‘Branch on the Wheels’
- Systems and processes upgraded for better customer service

## Planned for 2017

- Penetrate private sector
- Expand overseas presence
- Further strengthening remittance market share
- Promote SME lending
- Improve customer engagement



**109** CDMs installed during the year



**94,000** accounts were opened under ‘*Samata Ginumak*’ campaign



Market leadership in foreign remittances

**43.5%**

## Social and Relationship Capital

### Customers

Customers are the main stakeholders of the Bank, be it depositors or borrowers, comprising individuals, SMEs, micro enterprises large corporate entities and state-owned enterprises.

During the year, the industry remained highly competitive, with all banks striving aggressively to increase their market share. BoC has an edge over the other banks mainly in terms of geographical reach through the extensive branch network and superior financial strength. In addition, the strategies adopted to increase customer service and understand their financial requirements better helped us compete effectively. Customer engagement –

- Primarily through the branch network. From simple savings account to assist the small time, savers' unsophisticated banking needs to innovative, technology-based products to meet more advanced customer requirements.
- Customer visits by branch officers and Business Development Executives
- Workshops, awareness sessions conducted for customer segments
- Call centre
- BoC website
- Newspaper advertisements
- Social media

**Objective of maintaining a sound relationship with the customers:** build long term, sustainable relationships based on trust and confidence that will be mutually rewarding.

The Bank has three main core areas of operation. The first, retail banking, has been the one that the Bank is traditionally most known for and which has given it its wide reach. Our retail customers include people from all walks of life; urban professionals and executives, senior citizens, small scale entrepreneurs and farmers in the most remote villages. Such a diverse clientele demands diverse

products. We need to leverage technology and develop sophisticated products for the more tech savvy customer. At the other end, we promote financial inclusiveness and literacy by bringing banking to the grass roots. The second core area is that of corporate and offshore banking. Although traditionally much of our lending in this area has been to the government and state owned enterprises, in the year under review there was slackening in this type of lending. However, the Bank successfully compensated for this by increased lending to the private sector. The final area, which encompasses many operations, is that of international, treasury, investment and overseas branches. These sections play a crucial role in the Bank's portfolio of activities by handling the Rupee and foreign currency funds. With our massive deposit base we make a tremendous contribution to the national economy by developing the capital market as a key participant in government bonds. Having the largest share of inward remittances we also help sustain the Balance of Payments. The Treasury Division manages the foreign exchange operations of the Bank, including providing foreign exchange at concessionary rates for key sectors of the economy. Our overseas branches make their contribution to the Sri Lankan expatriate community by serving their banking needs.

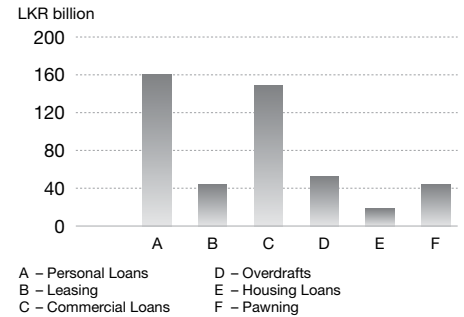
### Retail Banking

Serving a multitude of customers across the country, retail banking is of strategic importance to BoC, comprising 48% of the loan portfolio. A variety of products are offered under this segment, including personal loans, housing loans, commercial loans, pawning, leasing and credit cards. 2016 saw an almost 20% increase in the retail banking portfolio.

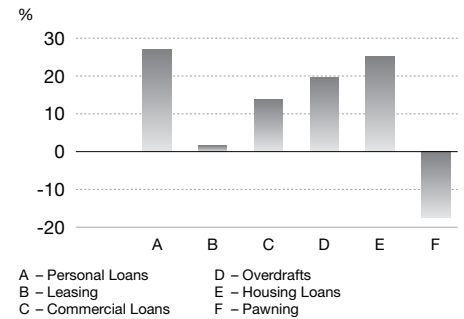
The retail segment has products to suit people of all walks of life, from the tech savvy, urban population including new generation young executives to villagers in remote areas who are fairly unsophisticated. Retail banking activities

are organised under 10 provinces (Western province has been separated in to two segments for administrative purposes) for the convenience of customers.

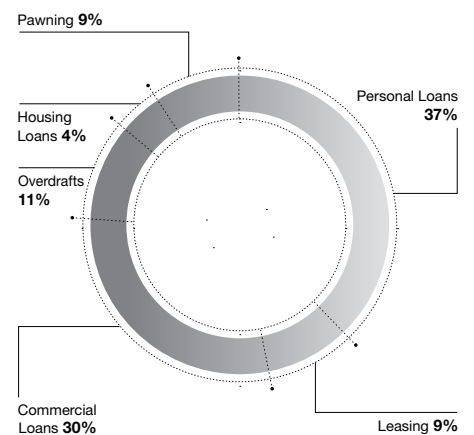
### Composition of Loan Portfolio



### Composition of Loan Portfolio Growth



### Retail Products



### Strategic Priorities during the Year

The strategies adopted during the year were targeted mainly at improving customer service and introducing technology-based products. Promoting financial inclusion in line with

Government policy priorities was also undertaken. Establishing Regional Loan Centres (RLCs) for processing of loans is a new initiative introduced in previous year to speed up the loan approval process. In line with this 11 such RLCs were established. The appointment of Business Development Executives (BDEs) is another initiative. The BDEs reach out to customers to understand their banking needs and refer them to branches.

### **Introducing Innovative Products to Meet Customer Needs**

SmartGen is a revolutionary product that has been introduced targeting the younger generation who prefer technology-based banking products. The marketing of this product was mainly done through the social media with the target customer in mind and proved to be a very successful strategy.

The Power Plus Investment Plan targeting higher education of children was a timely and useful product that gained popularity in 2016.

BoC participates actively in the development loan schemes funded by the Central Bank of Sri Lanka in order to contribute towards the development schemes promoted. New Comprehensive Rural Credit Scheme (NCRCS), Commercial Scale Dairy Development Lending Scheme (CSDDLs), *Saubagya* Loan Scheme, Self Employment Promotion Initiative Loan Scheme, Small-holder Plantation Entrepreneurship Development Programme, Working Capital Loan Scheme for Tea Factories and Poverty Alleviation Microfinance Project (PAMP I and II) are some examples for the Bank's contribution towards customer needs.

### **Funding the SMEs**

The SME sector is considered the backbone of an economy, and as done in the past, we made giant strides in increasing our focus on this sector. We introduced changes to our SME

Policy that will enable us to significantly enhance our SME offering. The interest rate was also reduced to 8% providing a competitive rate of interest to fund the entrepreneurs. Furthermore, a sizable pool of funds was allocated for the sector. '*Diriya*' and '*Diyawara Diriya*' are loan schemes introduced especially to meet the needs of SME customers.



*SME Lending*

During the year, SME products have been developed and introduced in line with Government policies. Products to cater to the youth and women are among these. Bank had allocated LKR 5.0 billion from Bank funds focusing on SME startups, where young and women entrepreneurs are given priority. Afrorested fund also operates at a lower interest rate. These products enhance our SME offering in providing resources for small and medium enterprises to reach their potential. The Bank expects that these focussed efforts on SME sector would bear fruit in 2017.

In order to broad base the customer base and cater to the specific market segment, Islamic Banking activities were revived during the year, targeting Islamic Banking customers through the branch network and meeting their enhanced financial requirements. Introducing diminishing Musharaka products and automation of foreign currency *Ijra* are some of the initiatives during the year. The target is to achieve an Islamic Banking portfolio of LKR 4.0 billion by 2018.

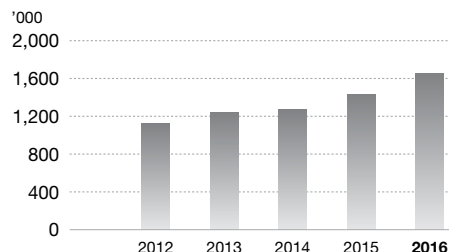
### **Housing Loans**

We increased our focus on the home loan segment, helping our customers to fund a shelter of their own. The portfolio saw a 25% increase during the year with the increase in the outbound sales force and continued emphasis on reducing turnaround times. The marketing strategy for this segment concentrated on increasing our visibility as the first choice for housing loans.

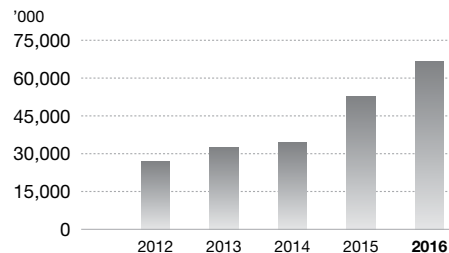
### **Credit Cards**

We improved our card offering providing a convenient payment method for the discerning customers and enhanced our presence in the credit card segment firmly. Many initiatives were offered and as a result, the number of card holders increased by 88,620 recording an increase of 10% during the year. The ATM card, which doubles up as a debit card increased in popularity as a safe and reliable payment method.

#### **Credit Cards Transactions**



#### **Debit Cards Transactions**



Our targeted credit card campaigns aiming festive occasions such as the Sinhala and Tamil New Year, Ramzan festival and Christmas season provided opportunities for our customers to avail of festive purchases and enjoy substantial discounts.

### Demand Deposits



A range of benefits to manage your day-to-day transactions either personal or business



Exclusively designed for professionals and executives to offer a host of convenient features and benefits to suit their lifestyles

### Savings Deposits



The savings account for the smart generation that enables smooth and delightful banking experience.



A children's savings account specially designed for the parents/guardian who wish to offer better future for their children.



A teens Savings Account, who wish to start their banking transactions including withdrawals.



A comprehensive savings package designed for the youth.



A savings account that can be opened by any Sri Lankan citizen above the age of 18, individually or jointly.



Savings account exclusively for women with the purpose of strengthening them to bear the challenges of life.



Account is designed to cater to the needs of Sri Lankan senior citizens over 55 years in the country with the financial care they deserve.

### Investment/ Retirement Plans



An investment savings account to facilitate regular savings build ups with higher returns and insurance benefits.



Special investment plans exclusively designed for the parents to provide the confidence to take on life with a firm financial foundation for their children.



'Abhimana' is a pension scheme which will customise the investment portfolio of any Sri Lankan individual above 18 years of age.

### Time Deposits



#### Fixed Deposits

Fixed rate FD designed for any investor above 18 years of age.



#### Moving Rate FDs

Moving rate FDs can be opened with an initial deposit of LKR 250,000 and thereafter multiples of LKR 50,000.



#### BOC Senior Citizens Fixed Deposits

Citizens of Sri Lanka over the age of 55 years are eligible to open this type of account. Account holders are provided with a whole range of benefits.



#### Savings Certificates

Savings certificates are ideal for short-term investments for your money. The certificates are designated in 6, 12 and 24 months.



#### Seven Day Call Deposits

This is another ideal short-term investment for your money. A minimum deposit of LKR 100,000 is required for a deposit of this nature.

### Other Products and Services



#### Online Banking

Perform your transactions at your convenience in the privacy at your home or office at any time around the clock.



#### BOC Branch on Wheels

'Branch on Wheels' is introduced with the intension to bring in the un-banked population in the country to the banking stream through extending modern banking facilities.



BoC credit card is a convenient way of paying for purchasing goods and obtaining services: Featured with micro-chip for enhanced security.



BoC debit card is a revolutionary form of cash that allows customers to access their bank account around the clock, around the world.



#### Merchant Services

BoC Point of Sales (POS) system facilitates business to grow with new technology and minimise risk of handling cash in sales counters.

**Lending Products**



**Term Loans**

Term loan facility is offered at all branches for current or savings account holders who maintain a good banking relationship with the Bank, to meet their financial requirements.

**BOC Personal Loans**

Bank of Ceylon offers a number of personal loan schemes for permanent employees of Government/Statutory bodies and employees of the private sector companies in the Bank's approved list, to fulfil any of their financial needs.



Sri Lankan citizens of age between 18-60 with an adequate repayment capacity with clear DRU and CRIB Records and Limited Liability Companies (House Constructors for sale) are eligible to apply for this scheme. The 'Siri Madura' housing loan scheme is a facility which can be obtained within two weeks in two visits to the Bank, therefore ensuring speedy delivery and customer convenience.



**Government Housing Loan Scheme (Ran Nivasa Housing Scheme)**

'Ran Nivasa' Housing Loan scheme is designed to meet the housing needs of BoC customers who are also employees of the Government sector.



**Housing Loan for NRFC Customers**

Housing loan for Non-Resident Foreign Currency (NRFC) account holders for the purpose of building a brand new house, purchasing land to construct a house, purchasing a house, renovating or refurbishing existing home.



**Development Loans**

Objective of Development Lending is to uplift the living standards of lower income earners as successful customers of the Bank and to increase the Country's Gross Domestic Production (GDP).



Leasing facilities for vehicles (unregistered/registered) and machinery.



**Overdrafts**

Ideal way to manage your cash flow at competitive rates of interest.



**Ransurakum Naya Seva**

Loan facility against your personal gold articles to manage your financial needs.



Development lending



## Deposits

Despite the stiff competition that prevailed in the banking industry, we managed to improve our deposit base by LKR 114 billion or 15% during 2016. Having surpassed one trillion deposits in 2015, we ended 2016 on a high note notching LKR 878 billion in deposits. Our retail focused business strategy which promotes financial inclusivity, coupled with the highest branch reach enabled us to reach depositors from all corners of the country.

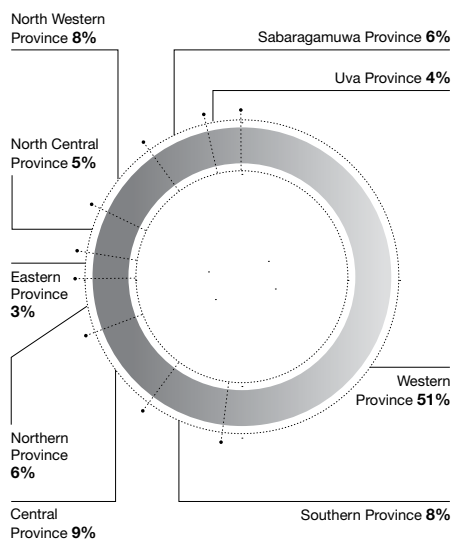
Our concept of Branch on wheels, used mainly in remote areas with sparse transport facilities enables us to reach customers who would otherwise not be able to access the formal banking system.



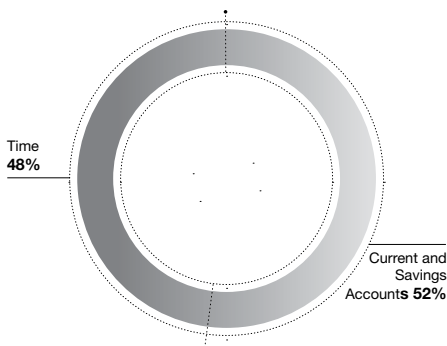
Branch on the wheels

Our CASA ratio, at 52% of total deposits provides a good balance in terms of managing our interest cost. The savings accounts also provide a stable fund base for the Bank. A further increase in this ratio is targeted through the next few years. An increase in fee based income to augment interest income in view of thinning interest margins is also planned which will be focused through the branch network.

### Deposit Distribution by Province



### Deposit Mix



## Continued Focus on Serving the Customers' Needs

Reinforcing our value addition to our esteemed stakeholders, improving customer service was another strategic priority during the year under review. Several staff training and workshops focusing on serving the customers were held. Building up the knowledge and capabilities of customer facing staff, capacity building programmes were conducted covering all provinces. Loan granting processes were streamlined while strengthening the credit standards to maintain a healthy loan portfolio.

## Training Programmes Held for Staff in the Retail Sector

- Basic lending operations
- Advanced credit management
- Lease financing
- Credit operations
- Promoting credit/Debit cards at branch level
- Special programme for negotiation skills and selling talks

## Improving Customer Reach

With a large network of branches, we have the maximum potential in reaching out to customers and offering our financial services. Two new branches and one other service point were added to the network, bringing the total number of branches to 580 and other service points to 48. Working on modernising our existing network of branches to provide modern banking facilities on par with competitors, we completed the modernisation of 100 branches during the year while 200 are to be completed in 2017.

In terms of the new strategy, we intend to open 12 branches during the next 3 years, mostly in rural areas.

Improving customer reach by streamlining the sales and alternate channels was a strategy that was actively pursued. In line with the performance-based culture that was introduced, a Leader Board was instituted for branches that achieved the given targets.

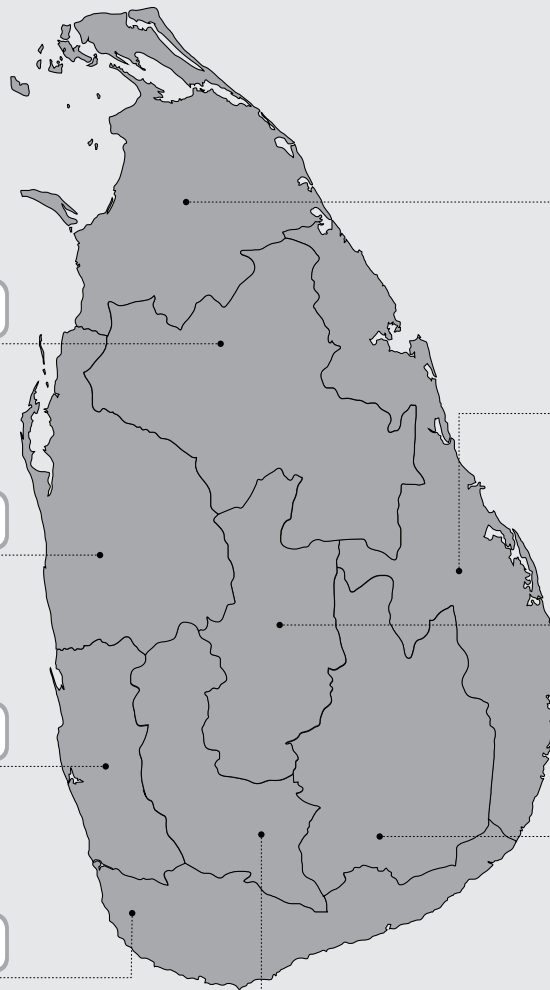
Increasing the customer convenience and encouraging digitisation, e-pay and online banking was promoted actively. In line with Government action to promote financial inclusion, a campaign titled 'Semata ginumak' was carried out through the branches under which 94,000 accounts were opened for hitherto unbanked customers.

In order to improve the effectiveness and performance of the network, branch grading system was rationalised.



The largest network of ATMs enables our customers to conveniently withdraw cash. Other facilities offered through ATMs include bill payments and balance inquiries. In order to meet the requirements of the new generation of customers, we concentrated on improving our digital channels. The current suite of digital channels includes, internet banking and SMS banking. Our internet banking gained popularity as a convenient payment method for customers and added value to our digital channels.

## Operational Footprint



**North Central Province**

|    |    |   |   |   |   |
|----|----|---|---|---|---|
|    |    |   |   |   |   |
| 49 | 59 | 2 | 7 | 1 | 1 |

**North Western Province**

|    |    |   |    |   |   |
|----|----|---|----|---|---|
|    |    |   |    |   |   |
| 57 | 62 | 2 | 12 | 2 | 1 |

**Western Province**

|     |     |    |    |   |   |
|-----|-----|----|----|---|---|
|     |     |    |    |   |   |
| 127 | 212 | 12 | 43 | 1 | 2 |

**Southern Province**

|    |    |   |    |   |   |
|----|----|---|----|---|---|
|    |    |   |    |   |   |
| 64 | 72 | 3 | 14 | 3 | 2 |

**Nothern Province**

|    |    |   |   |   |   |
|----|----|---|---|---|---|
|    |    |   |   |   |   |
| 63 | 47 | 5 | 9 | 1 | 1 |

**Eastern Province**

|    |    |   |   |   |   |
|----|----|---|---|---|---|
|    |    |   |   |   |   |
| 55 | 35 | 3 | 5 | 1 | 1 |

**Central Province**

|    |    |   |    |   |   |
|----|----|---|----|---|---|
|    |    |   |    |   |   |
| 67 | 74 | 4 | 13 | 2 | 1 |

**Uva Province**

|    |    |   |   |   |   |
|----|----|---|---|---|---|
|    |    |   |   |   |   |
| 39 | 45 | 2 | 9 | 2 | 1 |

**Sabaragamuwa Province**

|    |    |   |   |   |   |
|----|----|---|---|---|---|
|    |    |   |   |   |   |
| 49 | 49 | 2 | 9 | 2 | 1 |

|     |     |    |     |    |    |
|-----|-----|----|-----|----|----|
|     |     |    |     |    |    |
| 580 | 678 | 48 | 123 | 15 | 11 |

|                    |   |    |    |   |
|--------------------|---|----|----|---|
|                    |   |    |    |   |
| Corporate Branches | 6 | 17 | 13 | 2 |
| Premier Banking    | 1 | 1  | -  | - |
| Overseas Branches  | 3 | 4  | -  | - |
| Mobile Unit        | - | 1  | -  | - |

Cash Deposit Machines (CDM) were introduced at branches which substantially increased customer convenience. CDMs offer real time deposit facilities in a convenient manner saving the time spent in queues. 109 CDMs were installed in 2016.

## Green Banking Initiatives

Focusing on 'green banking' was yet another strategic move promoted in 2016 in order to give back to nature and embrace sustainability through our banking operations. Financing solar power projects and wind power projects are some initiatives in this regard. We provided finance for the National School of Business Management (NSBM), the first ever green university in Sri Lanka. Promoting e-banking, accounts that do not have paper-based statements or pass books were also pursued in order to promote green banking. We walked the talk by generating and using solar power at branches that are owned by the Bank.

## Financial Inclusion

BoC has always been at the forefront of promoting inclusivity and bringing financial literacy to people who hitherto lacked same. These efforts are carried out through micro-financing. Group lending schemes such as 'BoC Mithuru' and PAMP-Revolving fund were adopted to uplift the lives of customers who lack financial strength and knowledge on matters relating to finance. We supported the Government initiative to bring the unbanked population to the banking stream through the 'semata ginumak' programme by opening 94,000 accounts for those who did not have bank accounts coinciding with the World Thrift Day 2016.

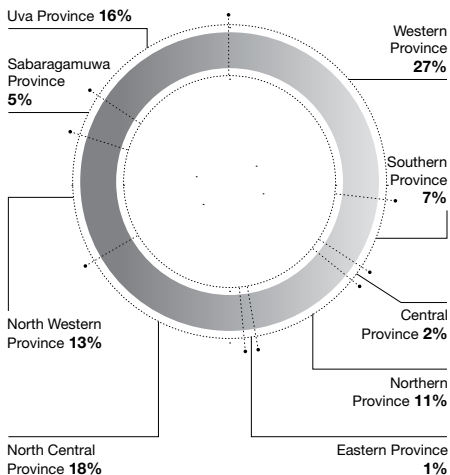
'BoC Mithuru' scheme was a novel concept introduced to assist micro-finance customers form small groups, encouraging such groups to inculcate savings habit; work together to resolve financial needs; build entrepreneurial skills and ultimately develop strong micro enterprises.

During 2016, LKR 173.3 million of funds have been disbursed among the 'BoC Mithuru' societies.



BoC Mithuru Pola

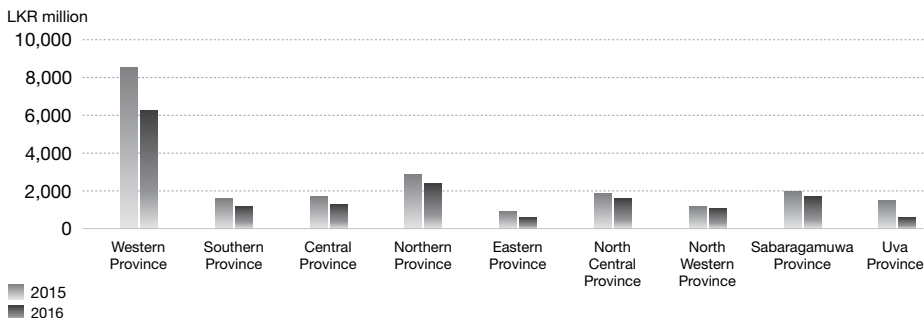
## Geographical Distribution of BoC Mithuru Loan Portfolio



## Maintaining Asset Quality

The quality of the retail asset book improved according to targeted levels and NPA ratio stood at 3.4% of the portfolio as at end 2016, and is targeted to reduce further in 2017. The drought that prevailed in 2016 affected the loan repayments on some agricultural loan schemes, however, overall asset quality was improved.

## NPA Movement in Retail Portfolio



## Future Outlook

The Bank's corporate plan envisages ambitious plans for growing the retail book further in 2017. It also plans to carve out a niche market by promoting personal loans targeting professionals. New corporate entities are being looked at in this regard in order to meet the targeted growth rate of 15% from 2017-2019. Loans for education purposes will continue to take an important role. Health sector is another segment that will be focused on in terms of the corporate plan. The Housing Loan portfolio grew by 14% in 2016. We will carry out an aggressive campaign to make BoC the first choice for housing loans and our aim is to increase the portfolio by 20% each year from 2017-2019. Our ambitious growth target for Commercial loans is 20% through the next three years. Aggressive marketing strategies are planned in this regard. Reducing the turn around time for processing loans is a key objective of the campaign. On the other hand, continuous process improvements to streamline the credit granting and approval process are being undertaken. Improving customer service levels will continue to be a priority for us.

SME sector will be focused on aggressively with targets for all branches. This portfolio is targeted to increase 100% year on year till 2019. We expect to work with development lending institutions such as the ADB for concessionary credit lines to fund our SME lending.

Increasing the outbound sales force in order to drive the expansion strategy and understand customer needs better will be a key priority going forward. Expansion of the number of RLCs to expedite customer service will continue.

The mobile app is to be introduced in 2017 in line with the digitisation strategy. Encouraging the use of internet banking as an alternate channel will greatly improve customer convenience. Measures to popularise the use of credit and debit cards in line with Government strategy to reduce the use of cash will be undertaken. This will also bring in additional interest and non-interest income for the Bank.

Improving customer service quality and levels will continue to be a priority in terms of the new corporate plan.

In order to spearhead this ambitious plan, it is also expected to attract young professionals to the Bank and groom them to drive service and sales standards.

### Corporate and Off-Shore Banking

Constituting 46% of the loan portfolio, the corporate and off-shore banking makes a significant contribution to the overall performance of the Bank. In 2016, the sector contribution indicated a modest increase in both loans and advances as well as deposits and thereby contributed to the increase in the profitability of the Bank. This sector also makes a considerable impact on the overall economy of the country by financing large corporate sector entities and projects.

Tightening of monetary policy by the Government through increased Statutory Reserve Ratio and raising interest rates saw the industry growth rate being curbed. Our corporate portfolio grew by 20% during the year, while the industry credit growth was 18%.

#### Corporate Facilities

##### Term Loans

Financial option offered to the customers to fulfil their multi faceted long-term financial needs.

##### Overdrafts

Other than general overdraft facilities, overdraft facilities are also granted as pre-shipment financing for export packing credit overdrafts for exporters.

##### International/Local Bank Guarantees

Letters of guarantee, credit purchase guarantees, tender guarantees, bid bonds, performance bonds, advance payment guarantees, retention guarantees, custom duty guarantees and shipping guarantees are the common guarantees issued. These are conditional or unconditional written undertaking issued by the Bank on behalf of the customer to indemnify the beneficiary.

##### Project Financing/Loan Syndication

Facilities are made available for investors in large scale projects. Credit facilities are granted jointly with two or more of other financial institutes.

##### Online EPF/ETF Payments

Facility for online EPF/ETF payments is provided to corporate clients under BOC e-pay system.

## Trade Finance Products

### Series of Loans

Facilities for settlement of import bills under mortgage over movable or immovable properties.

### Advising and Transferring Letters of Credit

Service provided by the Bank, whereby an issuing bank, on behalf of the importer (customer) duly transmits a letter of credit by SWIFT or authenticated telex or dispatches, by mail or courier to the receiving bank and the L/C is checked for its apparent authenticity. If it is deemed to be authentic, the receiving bank will then notify beneficiary to collect the said Letter of Credit.

### Negotiation Bills

Purchase letter of credit documents under a complying presentation by advancing funds to the exporters.

### Purchase and Collection of Export Bills

Purchase and collection of documents to advance funds to the exporters.

### Status Report

A special service available for long-standing corporate clients of the Bank.

### Duty Rebates

Facilitated to obtain duty reimbursements for exporters under this scheme.

### Letter of Credit (Online facility Available)

The Bank provides letters of credit facilities to individual customers for personal imports as well as for corporate clients to facilitate their imports.

### Shipping Guarantees

This is a guarantee issued by the Bank, to a shipping company or its agent to allow them to release the goods to the customer (consignee named in the bill of lading) without the presentation of the original bill of lading.

### Bills Acceptance

Facilities given to release the original shipping documents against an accepted draft under term LC.

### Collection Bills

A service by which commercial or financial documents are sent to the collecting bank through the remitting bank. Presenting bank will release documents under D/P or D/A (Documents against Payment or Documents against Acceptance) in accordance with instructions by the remitting bank.

### Pledge Loans

Facilities for settlement of import bills. Goods pledged are kept under the control of the Bank.

### Hypothecation Loans

Facilities for settlement of import bills. Goods covered by the hypothecation bond.

### Trust Receipts

Facilities for settlement of import bills. Bank holds the title of goods. Borrower is in possession of the goods holding in trust for the Bank under the TR Ordinance.

### Bills Discounting

Facilities provided for the exporters or sellers of the goods to discount their bills immediately, in the circumstance of selling their goods or services to their buyers on credit terms such as payments after 30 days, 60 days or 90 days from shipment etc. as per their sales contracts.

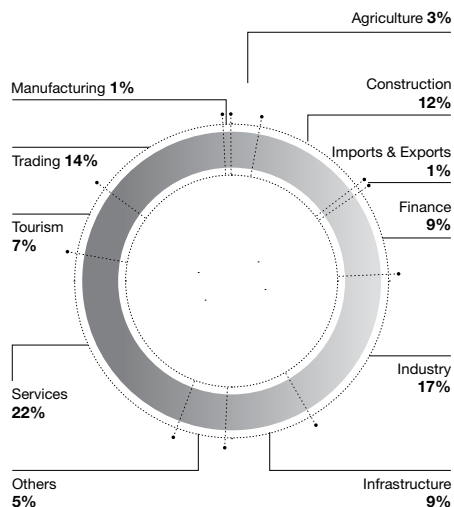
The year under review saw a decline in exposure to the Government sector and as a result we increased our focus on the private sector, canvassing new corporate customers. These efforts resulted in a corresponding increase in exposure to the private sector.

Capitalising on the higher single borrower exposure limit applicable for the Bank, additional customers were onboarded

successfully. We helped finance large infrastructure projects by arranging syndicate facilities.

Our reach of customers enabled us to provide services to corporates in various sectors in infrastructure, education, construction, tourism, plantation, trading and commerce.

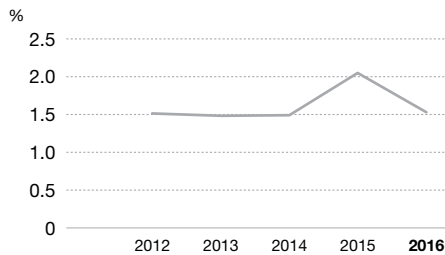
## Sector-wise Distribution of Corporate Portfolio



The deposit base saw a year on year growth of 15% against the previous year.

The NPA ratio reduced from 2.05% in 2015 to 1.53%, marking an improvement in the health of the portfolio. This was a result of improving the credit standards, monitoring and follow up. This compares with the industry average of 2.6%.

**NPA Ratio**



**Initiatives During 2016**

We targeted new high networth corporate entities during the year. Customer interactions by way of customer felicitations were held during the year as well as improvements to branches to provide a superior customer service in a friendly atmosphere.

Investment in continuous training for the staff, including overseas training was provided. Motivation of staff engaged in the corporate banking sector took place with performance-based rewards, CSR activities etc.

A risk-based pricing system was introduced in order to align price to the perceived risk and to increase the Bank’s competitiveness.

Significant investments in technology was undertaken to bring about technology-driven process improvements. A new Trade Finance system and credit administration system are among these investments.

**Future Strategies**

The Corporate Plan includes challenging targets for the coming years, including a 50% increase in exposure to the private sector. We are confident of achieving these targets given the experienced staff strength and the continuous staff development through training. Our objective is to develop the corporate banking portfolio to achieve a well balanced portfolio with a diversified product range. We will forge ahead with automation to provide a fully-automated solution that blends with the business of the clients.

Given the renewed focus on project financing, we also plan to set up a separate division specialising in the subject area. In order to diversify our stream of income and meet new challenges, we are working on increasing non-fund-based income or fee income.

Trade finance is a priority area in our new corporate plan. Improvements to process and controls to maintain NPA at low levels will be a key priority.

We will continuously focus on providing tailor-made solutions to meet our corporate clientele. Towards this end, we will keep on developing our staff skills.

It is also intended to use our corporate banking channel to cross sell our retail products thereby increasing effectiveness.

**Trade Finance Division**

The Trade Finance Division is a key Division for the Bank facilitating Import and export trade services. Apart from its core business it also provides advisory and other consultation services to the Government, customers, other stakeholders and to the industry at large. The BoC Trade Services Division has continuously maintained the market leadership position and also the highest

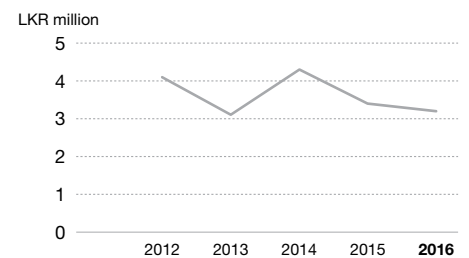
ethical standards relating to Trade Operations and comply with all rules and regulations issued by regulatory authorities. It also gives us great pride that our trade services team has the best knowledge and largest experience pool in the local trade finance industry and also the highest negotiation abilities that allow competitive pricing for customers. Our excellent long standing relationships with the extensive correspondent banking network enables us to meet the most complex customer requirements effectively. Given the stature of our Trade Services Division, Bank also facilitates to develop trade-related Government policy.

Our customer relationships are maintained mainly through corporate client get-togethers, providing advisory services and quoting competitive rates for high net worth customers.

This is the only division of the Bank to possess the ISO 9001 2008 certification, which is being maintained since 2011. Our staff in this Division are provided with local and international training along with Outbound Training to constantly upgrade their levels of knowledge and skills. BoC Trade Finance is also represented on the Trade Finance Association, ICC which enables our staff to gain knowledge relating to the latest international practices.

We provide a national service by being the banker for foreign funded government projects and also through conducting seminars on trade finance for university students.

**Fee & Commission Income**



## Activities in 2016

Programmes were conducted to disseminate knowledge on Trade Finance for branch staff in order for them to effectively promote import and export services to branch customers. Private sector exposure increased by 4% during the year. Although the overall non-fund based income for the Bank declined, income from export related services recorded an impressive 22.6% growth, while import related income declined. The reduction in import related income was mainly due to policy initiatives by the Government to reduce vehicle imports and decline in import of crude oil/petroleum. Our initiatives to target export customers through the branch network and the increased private sector exposure resulted in increase in export related income.

## Future Strategies

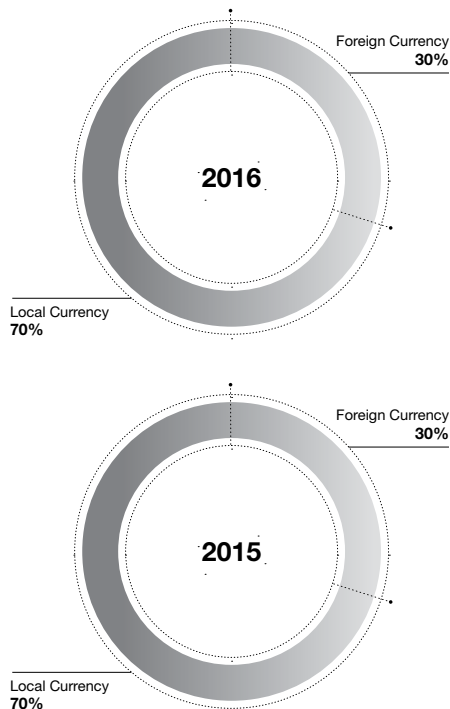
The Bank is in the process of acquiring a state-of-the-art trade platform to enhance the service quality offered to customers. In addition, BoC Trade Services Division is in the process of developing an export diversification plan for the country together with public and private sector institutions which is aimed at diversifying export products and destinations. In line with Government strategy to develop SME sector, our Trade Services Division is also planning to enhance the coordination with Export Development Board to address exporters in the SME sector as a strategic move to capture potential future customers for sustainable growth in the trade finance sector.

## International, Treasury, Investment and Overseas Branches

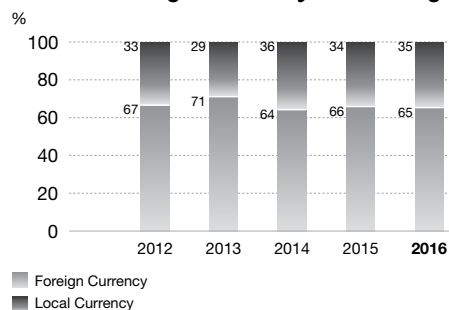
Handling the rupee and foreign currency funds, these key divisions play a critical role for the Bank. Having the largest deposit base for a financial institution, and amounting to over Rupees one trillion, the operations of these divisions are critical for the stability of the Bank and render an invaluable service to the economy. Access to customer deposits through the largest branch network certainly places us at an advantageous position. The investment of the Bank's funds, foreign exchange management and Asset and Liability management are key functions handled by these divisions. Treasury Division generates 36% of total income. Therefore, the strategies that are adopted for these divisions are critical. BoC also joined the on-line USD clearing system in order to process transactions faster.

During the year, the deposits recorded an increase of 13% over the previous year while borrowings decreased by 21% improving the gearing ratio. Accordingly, deposits constituted 76% of the funding structure for BoC with borrowings at 18%.

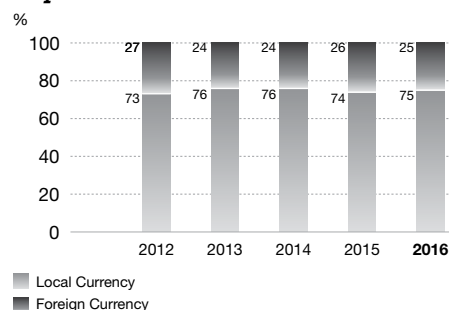
## Funding Base



## Local & Foreign Currency Borrowings



## Deposit Mix



## Remittances

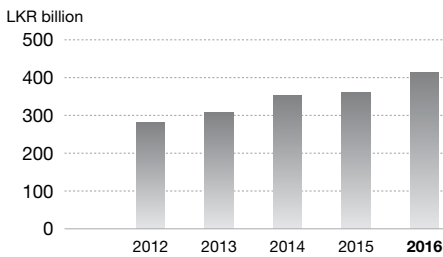
Having the largest market share of 43.5% of the inward remittances from migrant employees, BoC plays a pivotal role in boosting the FX reserves and the Balance of Payments (BOP) of the country. Our remittances sector grew at over 14% as against the industry growth of 11% indicating the success of strategies adopted, through the overseas branches as well as the tie ups with Exchange Houses in other countries. During 2016, significant increases were observed in remittances from Korea and Italy.

Some of the strategic initiatives that we have adopted to increase remittances include, tying up with major Exchange Houses overseas and global money transfer operation, direct SWIFT links with overseas banks to speed up the process, increasing the number of BoC representatives in overseas and improvement of customer service and staff training. In addition, 'BoC Triple Vasi' raffle draw was organised to promote inward remittances including Non-Resident Foreign Currency deposits (NRFC). Town storming campaigns were

conducted to make people aware of the facilities available for inward remittances through the banking system. This campaign also covered other banking facilities available to expatriates and their families such as housing loans for the construction of residences and basic information such as investing money. It was expected to bring in remitters those who make use of non-banking channels such as hawala and undial to the banking system.

Also the International Division conducted awareness programmes regularly at Sri Lanka Bureau of Foreign Employment Training Centre for prospective migrant employees on foreign currency deposit and remittances through banking channels.

### **Inward Remittances**



The competition in the banking industry remained high for attracting foreign currency deposits. However, BoC maintains a sizeable market share amounting to 31%. The foreign currency deposits amounted to 25% of the total deposit base of the Bank.

### **Correspondent Banking**

Correspondent banks are financial institutions overseas that facilitate wire transfers, conduct business transactions, accept deposits and facilitate trade transactions on behalf of our customers. BoC is proud of its largest network of correspondence relationships totaling 762 with financial institutions facilitating international banking transactions of which seven new relationships were established in 2016. The sector indicated a growth of 45% over the previous year.

### **Treasury Division**

The Treasury of a bank plays a vital role in managing the foreign exchange (FX) operations of the Bank and ensuring that the business of the Bank runs smoothly and that the Bank has sufficient liquidity to meet its obligations by managing inflows and outflows of funds. Whilst satisfying compliance requirements, it also ensures the optimal pricing of products. In this context, Treasury also plays a key role in managing relevant business and financial risks.

With the ever increasing pace of change to regulation, compliance and technology in the financial sector, Treasury Division has increasingly become a strategic business partner across all areas of the Bank, adding value across the operation.

Apart from handling the foreign exchange transactions, the general functions of the Treasury Division encompass money market dealing, equity trading, fund management, investment in Government Securities, pricing of products and maintenance of the Statutory Reserve and liquidity ratios.

With investment in state-of-the-art technology, the Treasury Division contributes significantly to the overall profitability of the Bank. Given the magnitude of the operation, BoC Treasury has commanded a leadership status in the banking industry for over a decade.

During the year under review, the lending and deposit rates of commercial banks indicated an upward trend, in line with the movement of Policy Rates. The Average Weighted Fixed Deposit Rate (AWFDR) edged upward at the end of 2016 to 10.46% from 7.57% in previous year. Also the Average Weighted Prime Lending Rate (AWPLR) increased to 11.52% from 7.53%. The Monthly Average Weighted Deposit Rate (AWDR) increased to 8.17% by end 2016.

In quoting FX rates, consideration is given for priority sectors of the economy, such as petroleum and pharmaceuticals etc.; that involve large amounts of exchange. In line with the social responsibility that BoC has taken upon itself, the rates quoted are not only targeted at profit generation, but more in line with social responsibility.

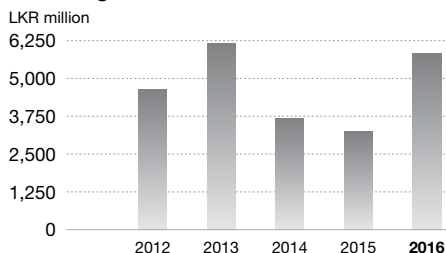
The biggest challenge faced during 2016 was managing the narrowing net interest margins (NIM). The key factors that affected interest rates during the year were inflation, the hike in policy rates and the withdrawal of foreign funds from the bond market. As such, the key concerns for Treasury Division were managing liquidity ratios subsequent to the increase in the Standing Deposit Facility Rate (SDFR) and Standing Lending Facility Rate (SLFR) in February and July 2016 by 0.50% respectively.

Treasury is in the process of implementing a new system for Asset and Liability Management (ALM) Unit which will facilitate the generation of required reports and will invariably enhance the decision-making function of the Bank.

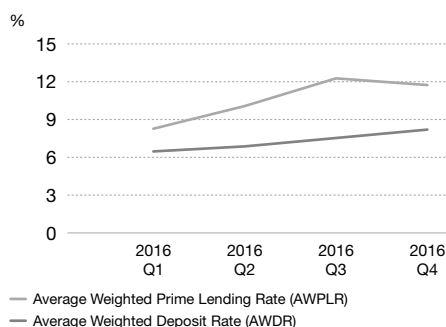
While actively participating in the Government Securities market in both Treasury Bills and Bonds, the Treasury was able to secure a significant capital gain from the Government Securities portfolio in comparison to previous year.

The uncertainties surrounding the exchange rate movement and the pressure exerted on both supply and demand sides increased the volatility of the exchange rate.

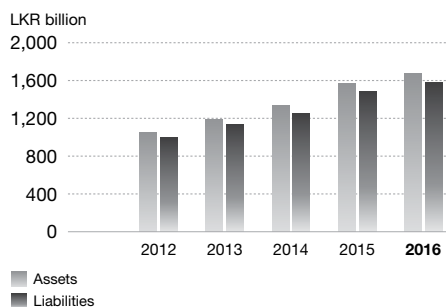
### Exchange Income



### Movement in AWPLR & AWDR



### Assets and Liabilities Movement



### Deposit Products

#### NRFC ACCOUNT

NRFC account is an account which can be opened by Sri Lankan migrant workers, non-resident Sri Lankan nationals or foreign nationals with Sri Lankan origin. NRFC accounts can be opened in the form of savings and fixed deposits.



#### Non-Resident Foreign Currency Fixed Deposits (NRFC FD)

NRFC savings account holders can open NRFC fixed deposits with initial minimum deposit of USD 1,000 or equivalent in any other designated currency.



#### Resident Foreign Currency (RFC) Accounts

Any individual resident in Sri Lanka, whether a citizen or a non citizen, is eligible to open a RFC account with an initial deposit of USD 100 or equivalent in any other designated currency.



#### Non-Resident Foreign Currency Minor Account and Resident Foreign Currency Minor Accounts

NRFC and RFC account holders can open minor NRFC and RFC accounts for their minors. Accounts should be opened and maintained only by parents or legal guardians of minors. A RFC minor account could only be opened if the minor is a resident in Sri Lanka while the parent/legal guardian is residing/working abroad, whilst a NRFC minor account could only be opened when both the minor and parent/legal guardian reside abroad.



#### Resident Non-National Foreign Currency Savings Account (RNNFC)

Foreign nationals residing in Sri Lanka temporarily or permanently can open RNNFC accounts. Accounts can be opened in the form of savings accounts.



#### Foreign Exchange Earners Accounts (FEEA)

Account for foreign exchange earners in order to facilitate foreign exchange transactions.



### Investment Products



#### Treasury Bills and Treasury Bonds

Treasury bills are risk-free investment products with maturities of 3, 6 and 12 months. Treasury bonds are risk free investments with maturities of 2 years and above.



#### Debentures

Debentures are issued in initial public offerings (IPOs) or rights issues. BoC acts as Managers, Bankers, Lawyers, Registrar and Trustees to all debt and Equity issues.

### Other Products and Services



Inward Remittances Department acts as the centre for receiving inward remittances from banks and exchange houses worldwide. The Department is well equipped and linked with all branches to extend an efficient service to customers. BoC maintains the largest correspondent banking network a Sri Lankan bank has, and therefore is geared to provide an excellent service to emigrants across the world.



#### Outward Remittances & Travel Services

BoC facilitates outward remittances for migrants and also for many other permitted outward remittances through SWIFT transfers.



#### Corporate Advisory Services

Our Corporate Division has dedicated, well trained and experienced staff that provide corporate advisory services for our valued corporate clients in areas of fund management, investment and portfolio management.



#### Fund Management Advice

Advise on various investment avenues to obtain best yields on your different portfolios.



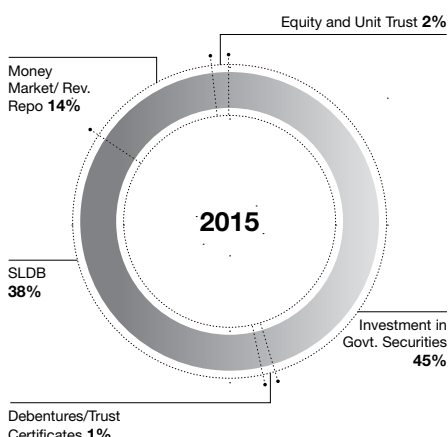
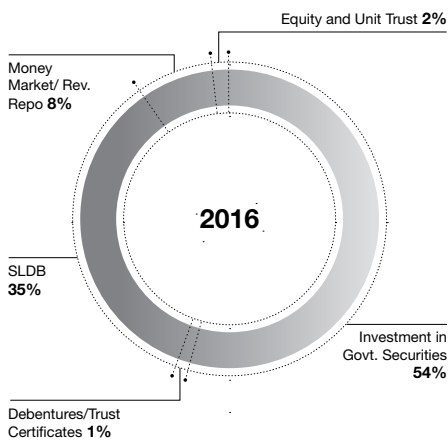
## Investment Activities

This division invests the funds of the Bank in line with the Bank's investment policy. BoC assists the Government to develop the capital market as a key participant in Sri Lanka Development Bonds (SLDBs) and raise foreign currency funds for the Government for its activities. The key activities during the year were raising LKR 8 billion worth of debentures to augment the Tier II capital for the Bank, increasing investment in fixed income securities by 71% and commencing portfolio management activities for high net worth (HNW) clients. The latter activity helps HNW clients manage their investments in line with their preferred risk/return appetite and earns fee-based income for the Bank.

The Bank's investments are also channelled into Government Securities, Debentures and the capital market. Through the investment activities of BoC, the Bank's asset and liability management is carried out and also provides liquidity to the market.

During the year, the investment portfolio indicated an overall decline mainly due to factors affecting investments not being up to the expectation of the Bank, compared to opportunities available.

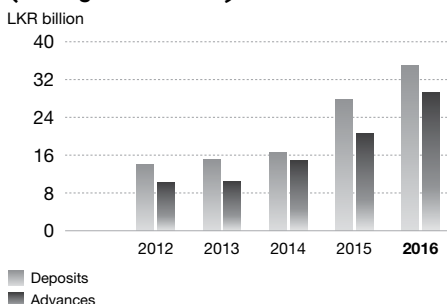
## Investment Portfolio



## Overseas Operations

Bank's overseas branches in Malé, Chennai and Seychelles and the subsidiary in UK improved their performance in 2016 and the momentum is expected to continue in 2017. Malé Branch recorded the highest ever profit notching it up by 83% while Chennai Branch also increased its profitability.

## Deposits & Advances (Foreign Branches)



## Future Strategies

Under the corporate plan for 2017-2019, BoC plans to expand into new markets, rationalise equity investment portfolio by deploying investment advisors, enhance trustee/custodian service-business through Unit Trusts and institutional investors, expand portfolio management services in a customised manner to HNW individuals and pension funds etc. Staff training to enhance the investment skills of staff will also be a strategic priority.

We plan to expand our overseas presence to new locations and new countries under the Government initiative on sectoral Dialogue Partnership with ASEAN. It is also expected that the overseas operations will be economically viable providing a sufficient return to the Bank. This is to be supported by a strengthening of the reporting and control oversight by Head Office.

The Treasury Division intends to optimise the Asset - Liability structure to maintain a net interest margin (NIM) of over 3.6% in 2017. This is to be achieved through automation of the ALM process for high levels of data accuracy. Conducting awareness programmes for HNW customers in respect of the services available under portfolio management and treasury products as well as training for dealers to enhance their knowledge in treasury operations/products will also be carried out. Explore possibilities of arranging syndicate loans or issuing international USD bonds for funding requirements will also be undertaken.

## Business Partners

Third parties who supply goods and services to the Bank, outsourced service providers and correspondent banks, are considered our partners who engage with us in carrying out our business.

It is important to maintain a good relationship with business partners in order to ensure that the goods or services supplied are of the required



standard, enabling BoC in turn to carry on its activities smoothly and in an uninterrupted manner. Building long-term relationships with business partners will enable both parties to build lasting relationships based on trust.

Correspondent banks provide services to the Bank to facilitate transactions in foreign currencies.

As a state bank, all procurements for the Bank have to be carried out in a transparent manner, in accordance with laid down procedures. Calling for tenders for the procurement of goods and services is a requirement.

## Engagement

- Press advertisements, notices
- Notices on the web site
- Meetings with suppliers and service providers
- Bank outsourcing policy and other internal procedure documents
- Written communications with correspondent banks

## Regulators

As a licensed commercial bank, BoC is primarily regulated by the Central Bank of Sri Lanka (CBSL). The Bank is subject to the prudential regulations, Directions and guidelines issued by CBSL. Following these regulations are key to ensuring the safety and soundness of the Bank and thereby that of the financial system. Any breaches of regulations could lead to penalties being imposed on the Bank, other regulatory actions such as sanctions on operations and subject the Bank to reputational risk.

BoC has to also follow directives and guidelines issued by other institutions such as the Inland Revenue Department, Colombo Stock Exchange and the Credit Information Bureau.

Maintaining a healthy relationship with these institutions will facilitate the smooth functioning of the day-to-day operations of the Bank and avoid any reputational risk to the Bank.

## Engagement

- Primarily through written correspondence
- Meetings and discussions

## Membership in Industry Related Associations

- Asia Pacific Rural and Agricultural Credit Association (APRACA)
- Association of Banking Sector Risk Professionals, Sri Lanka
- Institute of Bankers of Sri Lanka
- International Chamber of Commerce, Sri Lanka
- The National Chamber of Commerce, Sri Lanka
- Sri Lanka Banks Association (Guarantee) Limited
- Sri Lanka Law Library
- The Ceylon Chamber of Commerce
- The Financial Ombudsman of Sri Lanka (Guarantee) Limited
- Association of Compliance Officers of Banks, Sri Lanka
- Bar Association of Sri Lanka

# RECOGNISING OUR EMPLOYEE' EXCELLENCE

## Achievements in 2016

- Provided 41,532 hours of training through 1,139 programmes on relevant fields for employees of every category
- Made vast improvements to our process relating to human resource management through the automated Human Capital Management (HCM) system which enables, among other things, payroll and benefit administration and human resource profile management

## Planned for 2017

- Expedite recruitment on provincial and district basis in a transparent manner
- Optimise employee costs as it is the most significant overall cost component
- Improve Human Resource Policy Framework in line with Sri Lankan labour laws and international best practices



Number of Employees

**7,569**



Total Investment on  
Employee Training

**LKR 298.8 million**



Profit per Employee

**LKR 4.1 million**



## Human Capital

We consider our Team, our people, as our greatest strength that enabled us to reach the height of excellence, including the triple trillion (Assets, Deposits, Advances) during the year. Numbering 7,569 in total, their tireless efforts throughout the year and dedication to their tasks has made BoC undisputedly the No. 1 Bank in Sri Lanka and contributed to the increase in the financial capital. That is why, we go to great lengths to ensure that we select the right people and place them in the right place for the right job. The compensation and reward schemes at BoC are competitive and intended to keep all employees content at the work place. In other words, every effort is made to ensure the well-being of the staff, so that they can, in turn, give their best at the workplace.

All new recruits are provided with induction training so that they can easily blend into the culture and work ethics of the Bank. The compliance culture is inculcated in all employees from the stages of first joining. Furthermore, all staff are provided with job-related training to ensure that they have the requisite level of knowledge to perform their tasks.

Our content workforce is the greatest team of ambassadors of the No. 1 Brand, providing exemplary customer service to our worthy customers.

The attrition rate at BoC, which is below 1%, is one of the lowest in the industry, which speaks volumes of the effectiveness of our HR management process. Our commitment to taking care of our employees was recognised by being awarded the Asia Best Employer Brand by Employer Brand Institute and World HRD Congress in 2016, which encourages us immensely.

Our Team brought glory to BoC winning the Institute of Bankers of Sri Lanka (IBSL) Quiz in 2016.

## Introduction of Automated Human Capital Management System

During the year, we made vast improvements to our process relating to human resource management. The automated Human Capital Management (HCM) system, which was an investment towards better managing our people, went live in 2016. This system facilitates the streamlining and organising of our human resource management process. The salient features provided by the HCM system are:

- Payroll administration (salary, pension, W/W&OP, bonus, incentive etc.)
- Benefit administration – medical and other staff payments
- Managing staff loans
- HR profile manager (employee details)
- Employee self-service (salary receipt/ leave/PF balance/Employee Liability Report/medical balance)
- Competencies and job descriptions

With the operationalisation of the HCM System, talent management was rationalised and the HR management process is automated to the greatest extent possible.

It is intended to use the HCM System to create and manage a career portal thereby providing easy access to the management, the staff and future aspirants to identify career opportunities. This will provide a one stop tool for all HR related matters as training and development, too will be tracked through the system. All employee records will be available via the HCM System, paving the way for a greener HR management process.

## Selection and Recruitment

As a state bank, our process of recruitment is fair and transparent. We endeavour to ensure that we have the right mix of talent to suit the requirements of the Bank. Recruitment is mostly done at entry level, for management trainee positions and staff assistants. The talent acquisition process is fair and just, free of gender, age or ethnicity bias. The process also ensures geographic representation as far as possible so that employees can be positioned at branches close to their hometowns. Our team of employees is well diversified, consisting of 44% males and 56% females.

Recruitments done in 2016 consisted of the following:

- Trainee Development Assistants – 73
- Trainee Assistant Legal Officers – 10
- Trainee Court/Notary Clerks – 08

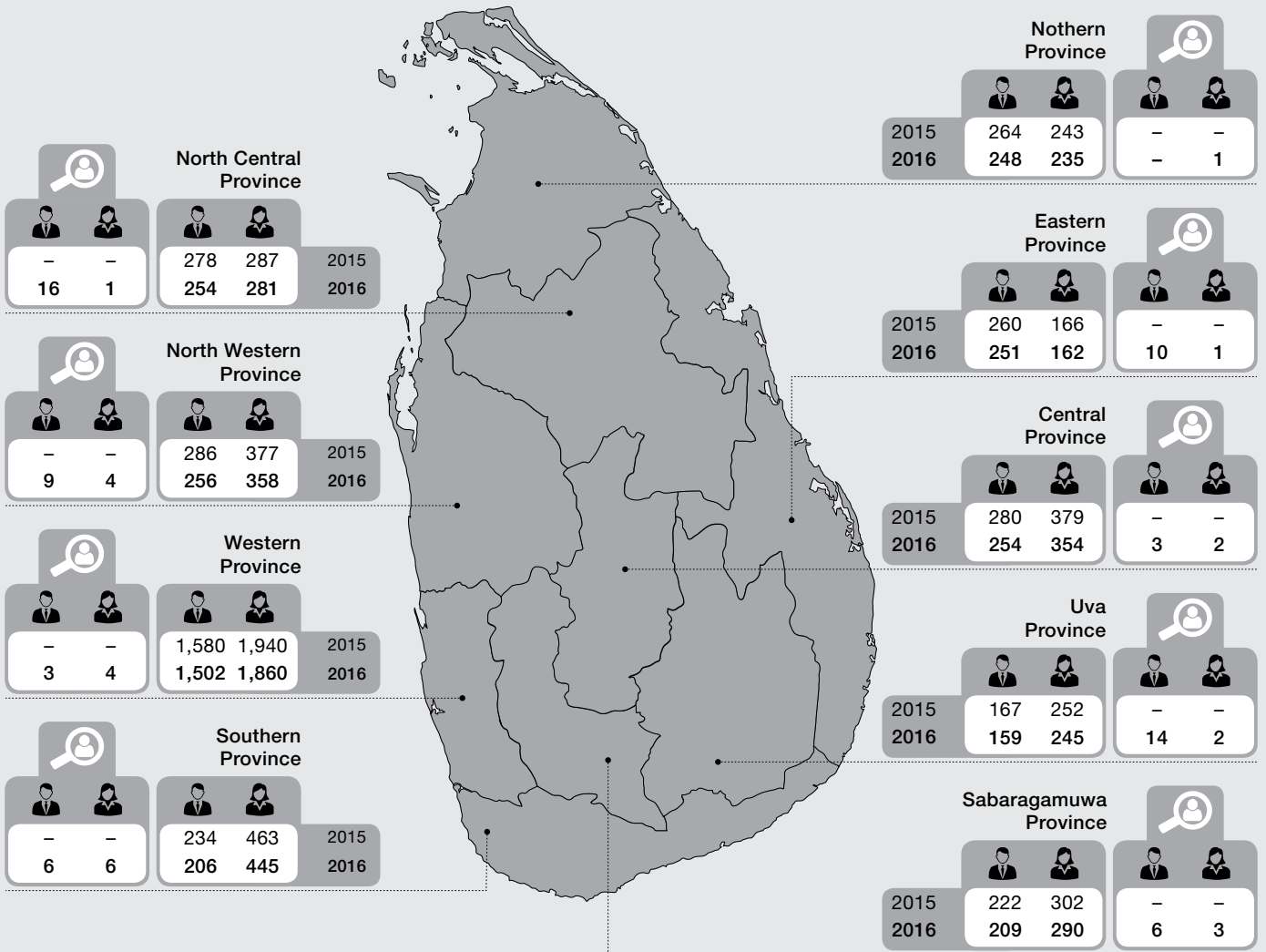
BoC prides itself in being an equal opportunity employer and selections are based on qualifications and suitability. Our non-discrimination policy is demonstrated in our distribution of employees.

With the emerging business needs the Bank has planed to provide employment opportunities for youth in 2017.

## Training and Development

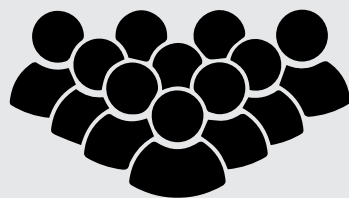
Identifying development needs and providing training is a key aspect of employee talent management at BoC. This enables our staff to keep their knowledge and skills updated in order to provide a better service to our customers. It also provides the opportunity to build up the knowledge and pursue their career aspirations. This indicates our commitment to educate, up skill the knowledge and talents of staff. Training requirements may be self-identified or on the recommendation of the supervisor.

# Workforce by Geographical Distribution



|       | Workforce |        | New Recruits |        |
|-------|-----------|--------|--------------|--------|
| Total | Male      | Female | Male         | Female |
| 2015  | 3,571     | 4,409  | -            | -      |
| 2016  | 3,339     | 4,230  | 67           | 24     |

## Workforce by Nature of Employment and Gender



|      |       | Full Time |      | Outsourced |    | On Contract |    | Total |      |       |       |
|------|-------|-----------|------|------------|----|-------------|----|-------|------|-------|-------|
| 2015 | 3,571 | 4,409     | 2015 | 1,238      | 31 | 2015        | 6  | -     | 2015 | 4,815 | 4,440 |
| 2016 | 3,339 | 4,230     | 2016 | 1,242      | 28 | 2016        | 26 | 5     | 2016 | 4,607 | 4,263 |

|      |     | Male |     | Female |      |     |     |     |
|------|-----|------|-----|--------|------|-----|-----|-----|
| 2015 | 45% | 55%  | 98% | 2%     | 100% | -   | 52% | 48% |
| 2016 | 44% | 56%  | 98% | 2%     | 84%  | 16% | 52% | 48% |

|      |     | Full Time |   | Outsourced |   | On Contract |   | Total |  |
|------|-----|-----------|---|------------|---|-------------|---|-------|--|
| 2015 | 86% | 14%       | - | 100%       | - | 100%        | - | 100%  |  |
| 2016 | 85% | 15%       | - | 100%       | - | 100%        | - | 100%  |  |

## Workforce by Period of Service (2016)

|     |   | > 20 Years |    |
|-----|---|------------|----|
| No. | % | 1,589      | 21 |

|     |   | 15-19 Years |   |
|-----|---|-------------|---|
| No. | % | 247         | 3 |

|     |   | 10-14 Years |    |
|-----|---|-------------|----|
| No. | % | 950         | 13 |

|     |   | 5-9 Years |    |
|-----|---|-----------|----|
| No. | % | 2,506     | 33 |

|     |   | < 5 Years |    |
|-----|---|-----------|----|
| No. | % | 2,277     | 30 |

## Workforce by Age Distribution According to Employment Category

|                                         | 18-24 Years |            | 25-34 Years  |              | 35-44 Years |              | 45-54 Years |            | 55-60 Years  |            |
|-----------------------------------------|-------------|------------|--------------|--------------|-------------|--------------|-------------|------------|--------------|------------|
|                                         | 2015        | 2016       | 2015         | 2016         | 2015        | 2016         | 2015        | 2016       | 2015         | 2016       |
| Corporate Management                    | -           | -          | -            | -            | -           | -            | 5           | 4          | 9            | 13         |
| Executive Management                    | -           | -          | -            | -            | -           | 1            | 11          | 12         | 42           | 37         |
| Chief Manager                           | -           | -          | -            | -            | 2           | 8            | 29          | 27         | 71           | 55         |
| Senior Manager                          | -           | -          | -            | -            | 49          | 68           | 47          | 57         | 84           | 80         |
| Branch Manager and Other Officer Grades | -           | 2          | 1,551        | 1,541        | 547         | 671          | 380         | 338        | 911          | 597        |
| Management Trainees                     | 3           | 9          | 201          | 145          | 3           | 3            | -           | -          | -            | -          |
| Staff Assistants and Allied Grades      | 637         | 271        | 2,438        | 2,701        | 124         | 120          | 165         | 123        | 144          | 147        |
| Office Assistants and Allied Grades     | 21          | 9          | 151          | 141          | 167         | 183          | 111         | 149        | 77           | 57         |
| <b>Total</b>                            | <b>661</b>  | <b>291</b> | <b>4,341</b> | <b>4,528</b> | <b>892</b>  | <b>1,054</b> | <b>748</b>  | <b>710</b> | <b>1,338</b> | <b>986</b> |

The Bank has an in-house training centre, Central Training Institute (CTI) a fully-equipped training center with inhouse trainers to facilitate the training process. Over 700 training programs were conducted at the CTI during 2016, including 63 training programmes for security personnel on a wide range of subjects, some programmes by accredited trainers. Selected employees are also enrolled for training at various other local training institutions on a needs basis, while overseas training and secondments are also provided to enhance the skills and provide on the job training.

recruitment is done mainly at entry levels and employees are promoted and appointed from within the existing cadre to fill in any positions that arise. Promotions to higher grades are made based on meritocracy on the basis of the results of examinations conducted to assess the preparedness and suitability of employees to take up such positions. During the year, two such promotion examinations were conducted. The Bank may recruit the services of consultants for specialised areas for skills that are not available within the Bank. During the year 729 promotions were executed.

It also creates an obligation on the management to develop the new joiners to succeed to higher management positions and be the next generation leaders. This is well addressed in our talent management and development programme.

The Bank maintains an open door communication policy, which will foster better employer-employee communications and better staff morale.

### Number of Employees Trained

|                      | No. of Employees |              |              |              | Average Hours of Training |           |            |            |
|----------------------|------------------|--------------|--------------|--------------|---------------------------|-----------|------------|------------|
|                      | 2016             |              | 2015         |              | 2016                      |           | 2015       |            |
|                      | Male             | Female       | Male         | Female       | Male                      | Female    | Male       | Female     |
| Corporate management | 15               | 2            | 11           | 3            | 47                        | 36        | 109        | 53         |
| Executive management | 40               | 10           | 44           | 6            | 25                        | 36        | 60         | 75         |
| Senior management    | 313              | 254          | 327          | 221          | 15                        | 14        | 45         | 60         |
| Executives           | 1,085            | 1,852        | 1,095        | 1,772        | 7                         | 4         | 27         | 23         |
| Trainees and others  | 1,886            | 2,112        | 1,738        | 1,930        | 5                         | 4         | 30         | 25         |
| <b>Total</b>         | <b>3,339</b>     | <b>4,230</b> | <b>3,215</b> | <b>3,932</b> | <b>99</b>                 | <b>94</b> | <b>271</b> | <b>236</b> |

### Number of Programmes and Participants in 2016

| Description        | No. of Training Programmes | No. of Participants |
|--------------------|----------------------------|---------------------|
| In-house           | 708                        | 31,507              |
| Local institutions | 293                        | 1,655               |
| Overseas           | 138                        | 413                 |
| <b>Total</b>       | <b>1,139</b>               | <b>33,575</b>       |

The training and development activities also take into account the succession planning for the Bank. Identified talented managerial staff are groomed and encouraged through the talent management process to build their skills to take up the next level challenges. This ensures that the Bank has a pool of talented people capable of taking up higher level challenges at all times. This is especially crucial since

Our staff at all levels are encouraged to acquire skills and knowledge and many facilities are provided to facilitate such learning. Library facilities are provided at the CTI, which all employees are encouraged to make use of. The e-Library was a new initiative introduced in 2016, which provides easy access to a vast array of reading material.

BoC has a mix of young blood and experienced hands, with a relatively young team at initial levels, nearly 64% of the workforce are below 35 years of age. At the same time, at senior levels, our management consists of well experienced, seasoned officers who add tremendous value to our operation. It gives us an ideal balance in terms of experience, maturity and dynamism.



Training to staff



## The Best for the Best – Recognition and Reward

BOC is one of the most preferred employers in the industry and we continue to evolve our HRM processes at all times in order to continue in that position. Our ultimate objective is to create a win-win situation for both employees and the Bank through better HRM.

It is very significant that the average basic salary and total remuneration for males and females has a 1:1 ratio for all categories of staff. This demonstrates our commitment to gender equality.

One of the key aspects of the HRM process is the recognition and reward of staff to encourage and motivate them further.

### How...the Process

We continue to align the employee reward and recognition process in line with achievement of business targets, inculcating a performance based culture.

## Cordial Industrial Relations

The Bank always strives to maintain healthy industrial relations. Maintaining a cordial rapport with the Trade Unions, the management has a continuous dialogue and lends an ear to the issues raised by the union members. During the year, regular cordial meetings were held with the unions. Out of our employees, 97% hold a membership of a trade union.

## Employee Engagement and Welfare Activities

Activities that promote staff engagement, in line with the Bank's calendar of events, form an important component in promoting employee engagement. The following are some events that took place during the year.

- Sports meets in all provinces and inter-province sports meet
- Health awareness programmes
- Religious activities pertaining to all religions emphasizing the multi-ethnic and multi-religious character of the Bank
- Colours Night - Rewarding the branches that excelled in their performance.



CSR activity by employees



IBSL Quiz winning team



BoC – Colours Night

Compensation and assistance is provided to staff who are affected by natural disasters, tragic circumstances and personal accidents.

In addition, activities that promoted corporate social responsibility were conducted such as the Blood Donation Campaign, which brought the Bank closer to the communities it serves and also promoted staff engagement.

The staff also took part in team building activities and team engagement activities that were conducted.

## Health and Safety

Looking after the health of our employees to create a healthy work force and ensuring the safety of our employees at the work place take priority at BoC. An in-house Doctor is available for employees' convenience in case of an unanticipated illness at work. The comprehensive medical insurance scheme available for all employees, covers employees and their family members for OPD treatments to surgeries.

Fire officers have been appointed for each division at head office and branches and regular fire drills are conducted to reiterate the safety procedures in case of an eventuality. In addition, all areas at head office and branches have CCTV surveillance. The Bank's Security Services Department is staffed with personnel who are trained in the subject matter.

A comprehensive Business Continuity Plan is in place that could be activated to resume the business operations, including critical systems, from alternate locations, in the event of a disruption to normal business. This Plan is tested periodically to ensure prompt activation if the need arises.

## Grievance Handling

Resolving employee problems at the workplace is handled primarily by the Human Resource Department. Employees are encouraged to voice their grievances so that they can be resolved.

## Human Rights

BoC upholds the human rights of all employees and has taken all possible steps to ensure that employees are treated equally, with appropriate dignity and respect and without discrimination. The Bank continuously aligns its HR practices in line with local regulations and international best practices.

### Human Rights Grievances

|                                                                    | Number |
|--------------------------------------------------------------------|--------|
| Brought forward from 2015                                          | 7      |
| Total number of grievances reported in 2016                        | 12     |
| Total number of grievances resolved in 2016                        | 15     |
| Total number of grievances outstanding at the end of the year 2016 | 4      |

## Work-Life Balance

It is our belief that a proper work-life balance will produce a contented workforce who will, in return give their best to the Organisation. Towards this end, our recruitment process tries to identify, as much as possible, people from the same geographical area. All permanent staff are required to utilise seven working days' annual leave at one stretch as required by regulation and also as a means of improving work-life balance.

The Bank maintains 10 holiday resorts in different areas of the country. The facilities were availed to a total of 10,295 employees and their family members during the year.

## Retirement Benefits

All employees of the Bank are members of the Bank of Ceylon Provident Fund, to which the Bank contributes 12% of employees' monthly gross salary, while employees contribute 8%. All employees of the Bank are members of the Employees Trust Fund, to which the Bank/Group contributes 3% of the employees' monthly gross salary.

All employees recruited to the Bank are entitled to a non-contributory pension on retirement, if they have completed a minimum of ten years of continuous service.

### Turnover – Age Groups and Gender

| Age Distribution | 2016       |            |            | 2015       |            |            |
|------------------|------------|------------|------------|------------|------------|------------|
|                  | Male       | Female     | Total      | Male       | Female     | Total      |
| 25-34            | 6          | 26         | 32         | 9          | 16         | 25         |
| 35-44            | 1          | –          | 1          | 2          | 4          | 6          |
| 45-54            | –          | 1          | 1          | –          | –          | –          |
| 55-60            | 273        | 173        | 446        | 363        | 182        | 545        |
| <b>Total</b>     | <b>280</b> | <b>200</b> | <b>480</b> | <b>374</b> | <b>202</b> | <b>576</b> |
| %                | 58         | 42         |            | 65         | 35         |            |

### Reasons for Turnover

| Reasons                                 | 2016       | 2015       |
|-----------------------------------------|------------|------------|
| Joining other competitive organisations | –          | –          |
| Joining other organisations             | 5          | 8          |
| Migration                               | 17         | 18         |
| Higher studies                          | 3          | –          |
| Personal reasons                        | 9          | 5          |
| Retirement                              | 446        | 545        |
| <b>Total</b>                            | <b>480</b> | <b>576</b> |

## Our Vision for Our Team – 2017 and Beyond

Going forward, we will continue to align the HR strategy in line with the business strategy of the Bank. The staff acquisition policy as well as training and development activities will be targeted towards developing the skill set required to carry out the business strategy. This will help us rationalise the staff costs.

- It is our vision to remain a preferred employer in the industry, with a low staff turnover. We will continue to evolve our HR practices so that our staff will be content and contribute to the well being of the organisation, keeping our customers and stakeholders happy.
- With the emerging business needs, the Bank plans to provide additional employment opportunities for youth in 2017.



# BEACON FOR PROGRESS AND GROWTH

## Achievements in 2016

- Initiated 'Green Banking' concept
- Recycled 95,272 kgs of waste papers
- 12 branches were recognised at 'National Productivity Awards' 2015/16' for '5s' implementation

## Planned for 2017

- Expand 'Green Banking' concept to entire branch network
- Progress on paperless environment through Document Management, work flow automation system and mobile apps
- More focus on 'Sustainability Development Goals'

## Saved through waste paper recycling



Fully grown trees  
1,620



Oil  
167,202 litres



Electricity  
381,088 Kwh



Water  
3,027,744 litres



Land fill  
286 m<sup>3</sup>

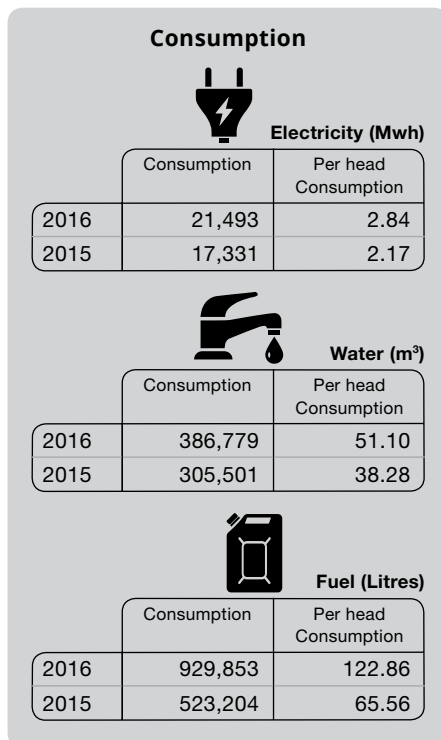


Green house gas emission by carbon equivalents of  
95,272 kg

## Natural Capital

Each of us has a responsibility to preserve the nature and the natural resources of the earth. When it comes to the No. 1 Bank in Sri Lanka, there rests an enormous obligation to work towards preserving the environment. But to us at BoC, as a responsible corporate citizen, supporting sustainable initiatives comes naturally. As such, we have implemented many sustainable initiatives to preserve nature and also to be in harmony with the environment. The sustainable development goals adopted by UN countries in 2015 aim to reduce world poverty, promote equality and preserve the environment. We have embraced these goals and have implemented measures in that direction.

A bank uses up resources such as electricity for lighting, air conditioning and use of other electronic devices as well as use a large amounts of water and paper. The use of such resources can have an impact on the environment. Thus, our responsibility is to ensure that we minimise our emissions, the use of non-renewable energy sources and reduce our carbon foot print to the greatest extent possible.



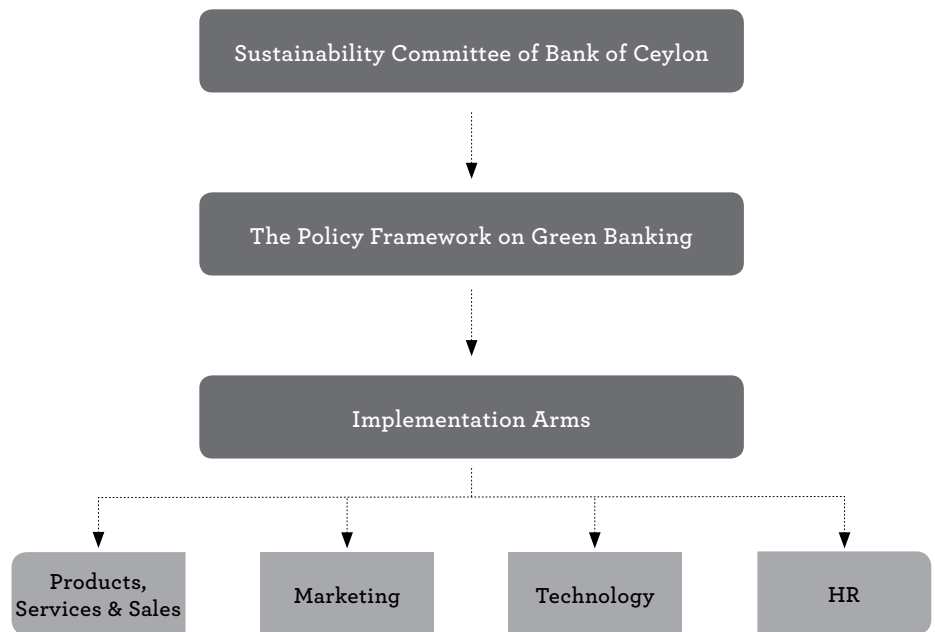
To coincide with the 77<sup>th</sup> Anniversary of our Bank, we adopted green banking and launched a green banking policy to carry out our day-to-day operations in a sustainable manner. This involves support from many stakeholder groups.

The policy framework is driven by the Sustainability Committee of the Bank and implemented through the operational divisions within the Bank under the leadership of the Corporate management members.

Each division reports the progress of initiatives undertaken back to the main committee on a quarterly basis for

monitoring of progress. The setting up of the Sustainability Committee and adoption of the green banking logo were important milestones in this regard.

We are extremely pleased that our initiatives towards adopting sustainable measures have been recognised by the World Sustainability Organisation by naming our General Manager among the 100 Global Sustainable Leaders at the World Sustainability Congress held in Dubai. World Sustainability Organisation is a non-profit organisation advocating government bodies, private organisations and public interest groups in the world for sustainable leadership in accelerating sustainable business practices and solutions.



We have undertaken the following initiatives under the green banking framework:

## Green Lending

As part of our green banking initiatives, we have supported environment friendly projects such as purchase/installation of solar power panels, purchase of eco-friendly cars such as hybrid cars and electric cars. As an incentive for promoting these green initiatives, a concessionary rate of interest is also offered on these lending.

In our lending activities, we have a mandatory declaration by the customer that the project/activities undertaken do not cause any damage to the environment and are in line with standards set by environmental authorities.

## Promoting the 'Green' Concept

Through our advertising campaigns, we have made customers and stakeholders aware of the need for preserving the environment and ramifications of not doing so.

SmartGen, our paperless product was promoted as an environmentally friendly product, highlighting its special features. We encouraged customers to subscribe to eStatements instead of printed statements in order to reduce the usage of paper, and encouraged the move through gift schemes. We promoted the use of internet banking which would be a convenient payment method for customers and save time and natural resources.

We also promoted green banking through advertising campaigns and supported the activities of eco-friendly groups.

## Promoting Technology Based Products

The technological advances we made with regard to products, channels and our internal processes helped in our green initiatives too. The technology based products were introduced and the digital channels were promoted not only for competitive advantage, but also as a means of reducing the use of paper. During the year, 71,673 customers enrolled for internet banking and 42,623 SmartGen accounts were opened, bringing the SmartGen accounts to 101,726 level as of end 2016, marking success of our campaigns. Further, on line authorisation of loans through the Document Management System (DMS) significantly reduced the use of paper by the Bank for printing. The use of digital technology to reduce the use of paper, eg: Board papers submitted to Board members via on line channels.

## Increase Staff Awareness and Involvement

Staff awareness on the concept of green banking and conserving resources were communicated regularly through emails and by posting on the intranet.

Reuse of paper, using double sides for making copies and printing were promoted actively among staff in order to reduce usage of paper.

## Promoting the Green Concept through the Branch Designing and Construction Process

We actively lived the green banking concept and set an example for other stakeholders through our branch designing concept.

Some of the initiatives that were introduced were as follows:

- Appropriate disposal of e-Waste
- Use of non-toxic materials in construction of branches, fixtures and furniture
- Wherever possible, installation of solar power panels for generating the energy needed for the branch
- Apply separate waste sorting systems
- Use of LED bulbs for lighting purposes and maximising the use of natural light in branch designs
- Installation of air conditioners with sensors
- 'Green Gardens' at branches

Apart from these, used paper is recycled through Neptune Recyclers. Accordingly, 95,272 kgs of waste paper were recycled during the year.

## Way Forward

The vast strides that we have made in embracing sustainable measures in our operations and the promotion of same through our banking products is clear testimony that we have adopted green banking as an on going concept. It is quite evident that unless we take swift action to be sustainable in our operations, that our operations also will not be sustainable in the long run. In this spirit, we will continue to foster our efforts towards a 'greener' planet.

# Financial Reports

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# Annual Report of the Directors on the State of Affairs of Bank of Ceylon

## 1. General

The Board of Directors of Bank of Ceylon take pleasure in presenting their report on the affairs of the Bank together with the Audited Consolidated Financial Statements for the year ended 31 December 2016 of the Bank and the Group and the Auditor General's Report on those Financial Statements, conforming to the requirements of the Bank of Ceylon Ordinance No. 53 of 1938 and Banking Act No. 30 of 1988 and amendments thereto. The Report also includes certain disclosures laid down by the Colombo Stock Exchange Listing Rules and certain disclosures required to be made under the Banking Act Direction No. 11 of 2007 on Corporate Governance for licensed commercial banks issued by the Central Bank of Sri Lanka and subsequent amendments thereto. The Directors reviewed and approved the Financial Statements on 29 March 2017.

Bank of Ceylon is a licensed commercial bank under the Banking Act No. 30 of 1988 and amendments thereto and was duly incorporated on 1 August 1939 under Bank of Ceylon Ordinance No. 53 of 1938 and amendments thereto. The Bank is wholly owned by the Government of Sri Lanka. The unsecured subordinated redeemable debentures issued by the Bank are listed on the Colombo Stock Exchange.

## 2. Review of the Business

### **2.1 Principal Activities of the Bank**

The principal activities of the Bank during the year were personal banking, corporate banking, development banking, off-shore banking, trade financing, lease financing, primary dealing, investment banking and treasury operations, correspondence banking and money remittances, Islamic banking, bancassurance, pawning, credit card facilities, foreign currency operations and other financial services.

### **2.2 Subsidiaries and Associates**

The principal activities of subsidiaries and associates are given under Notes to the Financial Statements on page 156 and 157.

There were no significant changes in the nature of the principal activities of the Bank and the Group during the year under review, other than changes mentioned under Accounting Policies.

### **2.3 Changes to the Group Structure**

The changes to the Group structure during the year are given in Notes 29 and 30 to the Financial Statements on pages from 210 to 217 of this Annual Report.

### **2.4 Vision, Mission and Corporate Conduct**

The Bank's Vision and Mission are given on Inner Front Cover of this Annual Report. The Bank maintains high ethical standards in its activities whilst pursuing the objectives stated under 'Vision' and 'Mission'.

### **2.5 Review of the Year's Performance**

The Chairman's message on pages 10 to 12 deals with the year's performance of the Bank/Group and on the Sri Lankan economy. The General Manager's Review on pages 14 to 16 provides a detailed description of the operations of the Bank during the year under review.

The section titled 'Profitable Catalyst for Equitable Development' on pages 96 to 103 provides a detailed analysis of business operations of the Bank. These reports that provide a fair review of the Bank's affairs form an integral part of the Annual Report.

### **2.6 Branch Expansion**

The Bank extended its services through the addition of two new local branches during the period under review. The network was further expanded enhancing customer convenience. The Bank installed 133 ATMs, 109 CDMs and 70 School Service Units during the year across the island bringing out the totals to 678, 123 and 1,021 respectively. This number does not include peer banks' ATMs through which customers of Bank of Ceylon can transact.

### **2.7 Corporate Donations**

The Bank has not granted donations for the year 2016 but the Bank has contributed LKR 134.4 million to facilitate Corporate Social Responsibility (CSR) activities during the period under review.

### **2.8 Directors' Responsibilities for Financial Reporting**

The Directors are responsible for the preparation of Financial Statements that will reflect a true and fair view of the state of affairs. The Directors are of the view that these Financial Statements have been prepared in conformity with the requirements of the Sri Lanka Accounting Standards, Banking Act No. 30 of 1988 and its amendments, Bank of Ceylon Ordinance No. 53 of 1938 and its amendments and the Listing Rules of the Colombo Stock Exchange. In the case of subsidiaries, the Financial Statements are prepared also in accordance with the provisions of the Companies Act No. 07 of 2007.

The Statement of Directors' Responsibility for financial reporting is given on page 145 of this Annual Report and forms an integral part of this report of the Directors.

### **2.9 Auditor's Report**

The Auditor General is the Auditor of Bank of Ceylon in terms of the provisions of Article 154 of the Constitution of the Democratic Socialist Republic of Sri Lanka.

Report of the Auditor General on the Financial Statements of the Bank and the Consolidated Financial Statements of the Bank and its subsidiaries as at 31 December 2016 is given on page 146 of this Annual Report.

## 2.10 Accounting Policies

The Group and the Bank prepared their Financial Statements in accordance with Sri Lanka Accounting Standards (LKASs) and Sri Lanka Financial Reporting Standards (SLFRSs).

The accounting policies adopted in the preparation of Financial Statements are given on pages 156 to 292. There have been no material changes in the accounting policies adopted by the Bank during the year under review.

## 3. Planned Developments

An overview of the developments planned by the Bank for the future is presented in the Chairman's Message on pages 10 to 12 and General Manager's Review on pages 14 to 16 of this Annual Report.

## 4. Total Income

The total income of the Group for the year 2016 was LKR 159,701.2 million as against LKR 137,984.4 million in the previous year. The Bank's total income accounted for 96.5% (2015 – 95.3%) of the total income of the Group. The main income of the Group is interest income, which comprises 87.5% of the total income.

## 5. Dividends and Reserves

### 5.1 Profit and Appropriations

The Bank recorded a profit before tax of LKR 31,188.7 million in 2016 reflecting an increase of 23.4%, compared to LKR 25,278.9 million recorded for the previous year. After deducting LKR 6,397.7 million (2015 – LKR 7,921.5 million) for income tax, the profit after tax for the year 2016 amounted to LKR 24,791.0 million, which is a 42.8% increase compared to LKR 17,357.4 million profit after tax reported in 2015. Details of the profit relating to the Bank and the Group are given in the table below:

The profit before tax of the Group also increased from LKR 25,476.7 million to LKR 30,117.0 million, an increase of 18.2% in comparison to the previous year. After deducting LKR 6,731.1 million for income tax (2015 – LKR 8,089.3 million) the profit after tax for the year of the Group increased to LKR 23,385.9 million in 2016 from the profit after tax of LKR 17,387.4 million reported in 2015.

### 5.2 Dividends

The Bank determines the dividends in consultation with the Government, the shareholder of the Bank, prudently, based on profits after deduction of tax, loan loss provision and any such portion for reserves. Accordingly, a sum of LKR 17,346.4 million has been paid out by the Bank as dividends for the year 2016 (2015 – LKR 6,346.4 million).

| For the year ended 31 December                                                                                                                                    | Bank                |                     | Group               |                     |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|---------------------|---------------------|---------------------|
|                                                                                                                                                                   | 2016<br>LKR million | 2015<br>LKR million | 2016<br>LKR million | 2015<br>LKR million |
| Profit for the year after payment of all expenses, providing for depreciation, amortisation, impairment on loans and other losses, contingencies and before taxes | 37,454              | 30,095              | 36,431              | 30,256              |
| Value Added Tax (VAT) and Nation Building Tax (NBT) on financial services                                                                                         | (6,265)             | (4,816)             | (6,377)             | (4,873)             |
| Share of profits/(losses) of associate companies net of tax                                                                                                       | –                   | –                   | 63                  | 94                  |
| Profit before income tax                                                                                                                                          | 31,189              | 25,279              | 30,117              | 25,477              |
| Income tax expense                                                                                                                                                | (6,398)             | (7,922)             | (6,731)             | (8,089)             |
| Profit for the year                                                                                                                                               | 24,791              | 17,357              | 23,386              | 17,387              |
| Other comprehensive income for the year, net of tax                                                                                                               | (1,080)             | (2,316)             | (706)               | (1,301)             |
| <b>Total comprehensive income for the year</b>                                                                                                                    | <b>23,711</b>       | <b>15,041</b>       | <b>22,680</b>       | <b>16,086</b>       |
| <b>Appropriations</b>                                                                                                                                             |                     |                     |                     |                     |
| Transfers to permanent reserve fund                                                                                                                               | (2,786)             | (1,400)             | (2,786)             | (1,400)             |
| Transfers to statutory reserve – Other                                                                                                                            | –                   | –                   | (35)                | (23)                |
| Dividends                                                                                                                                                         | (17,346)            | (6,346)             | (17,346)            | (6,346)             |

### 5.3 Reserves

The total reserves of the Group stood at LKR 87,475.3 million as at 31 December 2016 (2015 – LKR 82,063.6 million). The Group reserves consist of the following:

| As at 31 December            | 2016<br>LKR million | 2015<br>LKR million |
|------------------------------|---------------------|---------------------|
| Permanent reserve fund       | 7,996               | 5,210               |
| Revaluation reserve          | 16,494              | 14,469              |
| Free reserve                 | 367                 | 367                 |
| Exchange translation reserve | 1,060               | 1,288               |
| Available-for-sale reserve   | 5,562               | 6,540               |
| Statutory reserve            | 337                 | 302                 |
| Retained earnings            | 55,659              | 53,888              |
| <b>Total</b>                 | <b>87,475</b>       | <b>82,064</b>       |

### 6. Property, Plant and Equipment

The total capital expenditure incurred by the Group on the acquisition of Property, Plant and Equipment, leasehold properties and intangible assets during the year amounted to LKR 2,783.0 million (2015 – LKR 1,776.9 million) the details of which are given in Notes 32 to 34 of Financial Statements on pages 219 to 233 of this Annual Report.

### 7. Value of Freehold Properties

The value of freehold properties owned by the Group as at 31 December 2016 is included in Note 32 of the Financial Statements at LKR 15,519.8 million (2015 – LKR 14,180.6 million).

### 8. Stated Capital and Shareholding

#### 8.1 Stated capital

The total issued and fully paid up capital of the Bank as at 31 December 2016 was LKR 10,000 million (2015 – LKR 10,000 million).

During the year 2016, the Bank received LKR 5,000 million from the Government of Sri Lanka, the second and final phase of the total amount of LKR 10,000 million allocated to the Bank under National Budget 2015. This allocation is reported under capital pending allotment as at 31 December 2016. The Bank is making arrangements to issue 5 million ordinary shares at LKR 1,000 each to the Government of Sri Lanka and thereby will transfer the capital pending allotment to the share capital during the year 2017.

### 8.2 Shareholding

The Government of Sri Lanka is the sole shareholder of the Bank.

### 9. Issue of Subordinated Debentures

The Group issued subordinated listed debentures amounting to LKR 8,000 million during the year ended 31 December 2016 (2015 – LKR 8,000 million). The proceeds of these debentures were utilised to expand the Bank's loan book in the ordinary course of business. This would enable the Bank to achieve the following, on allotment:

- Increase the Tier II capital of the Bank in order to enhance the Capital Adequacy Ratio and Single Borrower Limit to facilitate expansion of the loan book.
- Minimise and manage the gap exposure in the Bank's assets and liability portfolios.

- Strengthen the Bank's liquidity position and to increase the asset base.

The details of debentures outstanding as at the date of Statement of Financial Position are given in Note 45 of the Financial Statements on pages 250 to 252.

### 10. Share Information

The basic earnings per share and net assets value per share of the Group were LKR 2,349.7 and LKR 10,247.5 respectively, for the period under review.

### 11. Corporate Sustainability and Responsibility

The programmes carried out under Corporate Sustainability and Responsibility (CSR) are detailed on pages 26 to 32 under the section titled 'Committing Our Numbers to Sustainability'.

### 12. Directors

The Board of Directors of Bank of Ceylon as at 31 December 2016 consisted of six members. The Directors of the Bank do not hold any executive positions in the Bank. They bring a wide range of skills and experience to the Board. The qualifications and experience of the Directors are given on pages 36 to 41 of this Annual Report.

#### 12.1 List of Directors

The Directors of the Bank as at the date of the Financial Statements, (31 December 2016) are as follows:

| Name of the Director      | Executive/Non-Executive Status | Status of Independence |
|---------------------------|--------------------------------|------------------------|
| Mr Ronald C Perera        | Non-Executive                  | Independent            |
| Mr Sajith R Attygalle     | Non-Executive Ex officio       | Non-Independent        |
| Mr Ranel T Wijesinha      | Non-Executive                  | Independent            |
| Mr Charitha N Wijewardane | Non-Executive                  | Independent            |
| Mr Sanjaya Padmaperuma    | Non-Executive                  | Independent            |
| Mr H P Ajith Gunawardana  | Non-Executive                  | Independent            |

The Directors are classified as Independent Directors on the basis given in Banking Act Direction No. 11 of 2007 on Corporate Governance for licensed commercial banks issued by the Central Bank of Sri Lanka.

## 12.2 Board Subcommittees

The Board has formed four subcommittees complying with the aforesaid Banking Act Direction No. 11 of 2007 to ensure oversight control over affairs of the Bank. The subcommittee composition is given on pages 69 to 77 of this Annual Report.

## 12.3 Directors' Meetings

Attendance of Directors at Board and subcommittee meetings are given on page 66 of this Annual Report.

## 12.4 Directors' Interests in Contracts

Directors' interests in contracts with the Bank, both direct and indirect are given on pages 140 to 141. These interests have been declared at meetings of the Board of Directors. Except for the contracts given therein the Directors do not have any direct or indirect interest in other contracts or proposed contracts with the Bank.

## 12.5 Directors' Interests in Debentures Issued by the Bank/Group

There were no debentures registered in the name of any Director.

## 12.6 Directors' Allowances/Fees

The allowances/fees payable to the Board of Directors are made in terms of the provisions/contents in the Public Enterprises Circular No. PED 3/2015 dated 17 June 2015, issued by the Department of Public Enterprises of

the Ministry of Finance and Bank of Ceylon Ordinance No. 53 of 1938 and its amendments. The Directors' remuneration in respect of the Group and the Bank for the financial year ended 31 December 2016 are given in Note 15 on page 176.

## 13. Risk Management and System of Internal Controls

### 13.1 Risk Management

The Board of Directors assumes overall responsibility for managing risks. The specific measures taken by the Bank in mitigating the risks are detailed on pages 78 to 92 of this Annual Report.

### 13.2 Internal Control

The Board of Directors has ensured the implementation of an effective and comprehensive system of internal controls in the Bank through the Audit Committee.

The Audit Committee helps the Board of Directors to discharge their fiduciary responsibilities. The Report of the Chairman of the Audit Committee is contained on pages 69 to 71 of this Annual Report. The Directors are satisfied with the effectiveness of the system of internal controls during the year under review and up to the date of the Annual Report and the Financial Statements.

The Board has issued a statement on the internal control mechanism of the Bank as per Direction No. 3 (8) (ii) (b) of Banking Act Direction No. 11 of 2007 on Corporate Governance for licensed commercial banks. The above report is given on pages 142 and 143 of this Annual Report.

The Board has confirmed 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 reporting purposes has been done in accordance with relevant accounting principles and regulatory requirements.

The Board has obtained an Assurance Report from the Auditor General on Directors' Statement on Internal Control and it is given on page 144 of this Annual Report.

## 14. Corporate Governance

The Board of Directors is committed towards maintaining an effective corporate governance structure and process. The financial, operational and compliance functions of the Bank are directed and controlled effectively within corporate governance practices. These procedures and practices that are in conformity with Corporate Governance Directions issued by the Central Bank of Sri Lanka under Banking Act Direction No. 11 of 2007 and the Code of Best Practice on Corporate Governance issued jointly by the Securities and Exchange Commission of Sri Lanka and The Institute of Chartered Accountants of Sri Lanka, are described in the section titled 'Corporate Governance' appearing on pages 60 to 77 of this Annual Report. The Board has obtained a report from the Auditor General on the compliance with the provisions of the above mentioned Direction No. 11 of 2007.

## 15. Human Resources

One of the most valuable assets of the Bank is its employees and it is important for the Bank to develop them. Several measures were taken to strengthen the much valued human capital in order to optimise their contribution towards the achievement of corporate objectives. The Bank's human resource management policies and practices are detailed in the section titled 'Recognising Our Employee Excellence' on pages 122 to 129 of this Report.

## 16. Compliance with Laws and Regulations

The Directors, to the best of their knowledge and belief confirm that the Group has not engaged in any activities contravening the laws and regulations.

Details of the Bank's compliance with laws and regulations are given on pages 293 to 318 under the section titled 'Compliance Annexes' which forms an integral part of this Report.

Further, the Bank has complied with the Transfer Pricing Regulations issued by the Department of Inland Revenue and the Directors certify that the Bank has complied with the Transfer Pricing Regulations issued under Section 104 of the Inland Revenue Act No. 10 of 2006. Certificate of the Directors on Transfer Pricing is given in page 323.

## **17. Outstanding Litigation**

In the opinion of the Directors and as confirmed by the Bank's lawyers the litigation currently pending against the Bank will not have a material impact on the reported financial results or future operations of the Bank.

## **18. Statutory Payments**

The Board confirms that all statutory payments due to the Government and in relation to employees have been made on time.

## **19. Environmental Protection**

The Bank has not engaged in any activity, which has caused detriment to the environment. Further, precautions taken to protect the environment are given in the section titled 'Beacon for Progress and Growth' on pages 130 to 132.

## **20. Post-Balance Sheet Events**

The Directors are of the view that no material events have arisen in the interval between the end of the financial year and the date of this Report that would require adjustments or disclosures.

## **21. Going Concern**

The Directors are confident that the resources of the Bank are adequate to continue its operations. Therefore, it has applied the going concern basis in preparing the Financial Statements.

By order of the Board,



**Janaki Senanayake Siriwardane**  
*Secretary – Bank of Ceylon/Secretary to the Board*

29 March 2017  
Colombo

## Directors' Interest in Contracts

Related party disclosures as required by the Sri Lanka Accounting Standard – LKAS 24 on 'Related Party Disclosures' are detailed in Note 55 to the Financial Statements on pages 262 to 267. In addition, the transactions that have been carried out in the ordinary course of business on an arm's length basis with entities where the Chairman or a Director of the Bank is the Chairman or a Director of such entities, are detailed below:

| Company                                           | Relationship | Nature of Transactions             | Limit      | Balance/Amount Outstanding as at 31.12.2016 '000* | Balance/Amount Outstanding as at 31.12.2015 '000* |           |
|---------------------------------------------------|--------------|------------------------------------|------------|---------------------------------------------------|---------------------------------------------------|-----------|
| <b>Mr Ronald C Perera</b>                         |              |                                    |            |                                                   |                                                   |           |
| Bank of Ceylon (UK) Limited                       | Chairman     | Current accounts (Nostro accounts) |            | USD 659                                           | USD 1,076                                         |           |
|                                                   |              |                                    |            | 98,775**                                          | 155,010**                                         |           |
|                                                   |              |                                    |            | GBP 531                                           | GBP 665                                           |           |
|                                                   |              |                                    |            | 97,755**                                          | 141,951**                                         |           |
|                                                   |              |                                    |            | EURO 1,656                                        | EURO 1,923                                        |           |
|                                                   |              |                                    | Placements |                                                   | 261,444**                                         | 302,673** |
|                                                   |              |                                    |            | USD 8,000                                         | USD 20,500                                        |           |
|                                                   |              |                                    |            | 1,198,400**                                       | 2,953,277**                                       |           |
|                                                   |              |                                    |            | GBP 73,400                                        | GBP 73,500                                        |           |
|                                                   |              |                                    |            | 13,508,852**                                      | 15,697,571**                                      |           |
|                                                   |              |                                    |            | EURO 1,000                                        | EURO 1,000                                        |           |
|                                                   |              |                                    |            | 157,874**                                         | 157,374**                                         |           |
|                                                   |              |                                    |            | -                                                 | JPY 5,000                                         |           |
|                                                   | -            | 5,980**                            |            |                                                   |                                                   |           |
| <b>Mr Ranel T Wijesinha</b>                       |              |                                    |            |                                                   |                                                   |           |
| Hotels Colombo (1963) Limited                     | Director     | Savings accounts                   |            |                                                   | 13,278                                            |           |
|                                                   |              | Current accounts                   |            |                                                   | 12,711                                            |           |
|                                                   |              | Time deposits                      |            |                                                   | 129,926                                           |           |
|                                                   |              | Loans                              |            |                                                   | 1,760                                             |           |
|                                                   |              | Other receivables                  |            |                                                   | 38,285                                            |           |
| <b>Mr Sajith R Attygalle</b>                      |              |                                    |            |                                                   |                                                   |           |
| Airport and Aviation Services (Sri Lanka) Limited | Director     | Savings accounts                   |            | 484,227                                           |                                                   |           |
|                                                   |              | Current accounts                   |            | 1,399,730                                         |                                                   |           |
|                                                   |              | Time deposits                      |            | 2,890,369                                         |                                                   |           |
|                                                   |              | Letters of credit                  |            | 240,740                                           |                                                   |           |
|                                                   |              | Letters of guarantee               | 50,000     | 18,300                                            |                                                   |           |
| <b>Mr Charitha N Wijewardane</b>                  |              |                                    |            |                                                   |                                                   |           |
| Hotels Colombo (1963) Limited                     | Chairman     | Savings accounts                   |            | 27,289                                            |                                                   |           |
|                                                   |              | Current accounts                   |            | 11,769                                            |                                                   |           |
|                                                   |              | Time deposits                      |            | 139,275                                           |                                                   |           |
|                                                   |              | Loans                              |            | 6,555                                             |                                                   |           |
|                                                   |              | Other receivables                  |            | 18,183                                            |                                                   |           |
| Merchant Bank of Sri Lanka & Finance PLC          | Director     | Current accounts                   |            | 146,817                                           |                                                   |           |
|                                                   |              | Time deposits                      |            | 16                                                |                                                   |           |
|                                                   |              | Loans                              | 1,500,000  | 1,324,435                                         |                                                   |           |
|                                                   |              | Overdrafts                         | 288,000    | 31,732                                            |                                                   |           |
|                                                   |              | Repo                               |            | 265,377                                           |                                                   |           |
|                                                   |              | Leasing                            |            | 1,470                                             |                                                   |           |
|                                                   |              | Investments in debentures          |            | 221,594                                           |                                                   |           |

\*Currencies not specifically mentioned are in LKR

\*\*LKR equivalent amount

| Company                                                                  | Relationship | Nature of Transactions | Limit<br>'000* | Balance/Amount<br>Outstanding as at<br>31.12.2016<br>'000* | Balance/Amount<br>Outstanding as at<br>31.12.2015<br>'000* |
|--------------------------------------------------------------------------|--------------|------------------------|----------------|------------------------------------------------------------|------------------------------------------------------------|
| BOC Travels (Private) Limited                                            | Director     | Current accounts       |                | 7,434                                                      |                                                            |
|                                                                          |              | Time deposits          |                | 146,358                                                    |                                                            |
|                                                                          |              | Overdrafts             | 7,600          | -                                                          |                                                            |
|                                                                          |              | Leasing                |                | 2,319                                                      |                                                            |
|                                                                          |              | Debentures             |                | 15,062                                                     |                                                            |
|                                                                          |              | Letters of guarantee   | 55,600         | 55,600                                                     |                                                            |
|                                                                          |              | Other receivables      |                | 92                                                         |                                                            |
|                                                                          |              | Other payables         |                | 497                                                        |                                                            |
| MBSL Insurance Company Limited                                           | Director     | Current accounts       |                | 6,555                                                      |                                                            |
|                                                                          |              | Repo                   |                | 16,005                                                     |                                                            |
|                                                                          |              | Letters of guarantee   |                | 5,950                                                      |                                                            |
|                                                                          |              | Other payables         |                | 1                                                          |                                                            |
| John Keells PLC                                                          | Director     | Current accounts       |                | 27,035                                                     |                                                            |
|                                                                          |              | Overdrafts             | 43,500         | -                                                          |                                                            |
| <b>Mr H P Ajith Gunawardana</b><br>Lanka Securities (Private) Limited    | Director     | Current accounts       |                | 10,486                                                     |                                                            |
|                                                                          |              | Time deposits          |                | 102,879                                                    |                                                            |
|                                                                          |              | Overdrafts             | 25,000         | -                                                          |                                                            |
|                                                                          |              | Repo                   |                | 22,007                                                     |                                                            |
| <b>Mr Sanjaya Padmaperuma</b><br>Koladeniya Hydropower (Private) Limited | Director     | Current accounts       |                | 1,563                                                      |                                                            |
|                                                                          |              | Time deposits          |                | 207,275                                                    |                                                            |
|                                                                          |              | Repo                   |                | 14,122                                                     |                                                            |
| Sri Lanka Insurance Corporation Limited                                  | Director     | Savings accounts       |                | 111,220                                                    |                                                            |
|                                                                          |              | Current accounts       |                | 93,428                                                     |                                                            |
|                                                                          |              | Time deposits          |                | 4,585,918                                                  |                                                            |
|                                                                          |              | Overdrafts             |                | 2                                                          |                                                            |
|                                                                          |              | Letters of credit      |                | 40,000                                                     |                                                            |

\*Currencies not specifically mentioned are in LKR

## Directors' Statement on Internal Control Over Financial Reporting

### Responsibility

In line with the Banking Act Direction No. 11 of 2007, Section 3 (8) (ii) (b), the Board of Directors presents this Report on Internal Control Over Financial Reporting.

The Board of Directors ('Board') is responsible for the adequacy and effectiveness of the internal control mechanism in place at Bank of Ceylon, ('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. In this light, the system of internal controls can only provide reasonable, but 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 significant risks faced by the Bank and this process includes enhancing the system of internal control over financial reporting as and when there are changes to the business environment or regulatory guidelines. 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 The Institute of Chartered Accountants of Sri Lanka. The Board has assessed the internal control over financial reporting taking into account principles for the assessment of such an internal control system as given in that guidance.

The Board is of the view that the system of internal controls over financial reporting 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.

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.

### Key features of the process adopted in reviewing the design and effectiveness of the internal control system over financial reporting

The key processes that have been established in reviewing the adequacy and integrity of the system of internal controls with respect to financial reporting include the following:

- Various committees are established by the Board to assist the Board in ensuring the effectiveness of Bank's daily operations and that the Bank's operations are in accordance with the corporate objectives, strategies and the annual budget as well as the policies and business directions that have been approved.
- The Internal Audit Division of the Bank checks for compliance with policies and procedures and the effectiveness of the internal control systems on an ongoing basis using samples and rotational procedures and highlights significant findings in respect of any non-compliance. Audits are carried out on all units and branches, the frequency of which is determined by the level of risk assessed, to provide an independent and objective report. The annual audit plan is reviewed and approved by the Board Audit Committee. Findings of the Internal Audit Division are submitted to the Board Audit Committee for review at their periodic meetings.
- The Board Audit Committee of the Bank reviews internal control issues identified by the Internal Audit Division, the External Auditors, regulatory authorities and the management, and evaluates the adequacy and effectiveness of the risk management and internal control systems. They also review the internal audit functions with particular emphasis on the scope of audits and quality of the same. All minutes of the Board Audit Committee meetings are forwarded to the Board. Further details of the activities undertaken by the Audit Committee of the Bank are set out in the Audit Committee Report on pages 69 to 70.
- In assessing the internal control system over financial reporting, identified officers of the Bank collated all procedures and controls that are connected with significant accounts and disclosures of the Financial Statements of the Bank. These in turn are observed and checked by the Internal Audit Division for suitability of design and effectiveness on an ongoing basis.
- The Bank adopted the new Sri Lanka Accounting Standards comprising SLFRS/LKAS in 2012. The processes and procedures initially applied to adopt the aforementioned Accounting Standards were further strengthened during the subsequent years based on the feedback received from internal and External Auditors, regulators and the Board Audit Committee. The Bank is in the process of updating procedures *inter alia* relating to impairment of loans and advances of the Bank and foreign branches, Financial Statement disclosures related to risk management and related parties. The Bank has also recognised the need to introduce an automated financial reporting process in order to comply with the requirements of recognition, measurement, classification and disclosure of the financial instruments more effectively and efficiently and to facilitate the 'Financial Statement



Closure' process. The assessment did not include subsidiary companies of the Bank. Further, the Bank has proactively taken steps to adopt the Sri Lanka Accounting Standard – SLFRS 9 on 'Financial Instruments' with effect from 1 January 2018 and is in the process of developing a mechanism to ensure full compliance with the aforesaid standard.

- The comments made by the External Auditors in connection with the internal control system over financial reporting in previous years were reviewed during the year and appropriate steps have been taken to rectify them. The recommendations made by the External Auditors in 2016 in connection with the internal control system over financial reporting will be addressed in the future.

### **Confirmation**

Based on the above processes, the Board confirms that the financial reporting system of the Bank has been designed to provide a reasonable assurance regarding the reliability of financial reporting and the preparation of Financial Statements for external purposes and has been done in accordance with Sri Lanka Accounting Standards and regulatory requirements of Central Bank of Sri Lanka.

By order of the Board,



*Chairman – Audit Committee*



*Chairman*



*Director*

29 March 2017  
Colombo

# Independent Assurance Report



## විගණකාධිපති දෙපාර්තමේන්තුව கணக்காய்வாளர் தலைமை அபிபதி திணைக்களம் AUDITOR GENERAL'S DEPARTMENT



මගේ අංකය  
எனது இல. } BAF/B/BOC/IC/2016  
My No. }

මගේ අංකය  
உமது இல. }  
Your No. }

දිනය  
திகதி } 17 April 2017  
Date }

The Chairman  
Bank of Ceylon

### Independent Assurance Report of the Auditor General to the Board of Directors on the Directors' Statement on Internal Control of Bank of Ceylon

#### Introduction

This report is to provide assurance on the Directors' Statement on Internal Control over Financial Reporting ('Statement') of Bank of Ceylon included in the Annual Report for the year ended 31 December 2016. In carrying out this assurance engagement I was assisted by a firm of Chartered Accountants in public practice.

#### 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.

#### My Responsibility and Compliance with SLSAE 3050

My responsibility is to issue a report to the Board of Directors on the Statement based on the work performed. I conducted my engagement in accordance with Sri Lanka Standard on Assurance Engagements SLSAE 3050 – Assurance Report for Banks on Directors' Statement on Internal Control issued by The Institute of Chartered Accountants of Sri Lanka.

#### Summary of Work Performed

My engagement has been conducted 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 does not require me 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 also does not require me 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.


#### Conclusion

Based on the procedures performed, nothing has come to my attention that causes me to believe that the Statement included in the Annual Report is inconsistent with my 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.

H M Gamini Wijesinghe  
Auditor General

අංක 306/72, පොල්දූව පාර, බත්තරමුල්ල, ශ්‍රී ලංකාව, . - இல. 306/72, பொல்தூவ வீதி, பத்தரமுல்லை, இலங்கை. - No. 306/72, Polduwa Road, Battaramulla, Sri Lanka

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## Directors' Responsibility for Financial Reporting

This Statement by the Board of Directors is made especially to distinguish the respective responsibilities of the Directors and Auditors in relation to financial reporting. The responsibility of Directors in relation to financial reporting of the Bank of Ceylon and the Group is set out in the following statement.

### Financial Statements

In terms of the provisions of Bank of Ceylon Ordinance No. 53 of 1938 and its amendments read with the Banking Act No. 30 of 1988 and its amendments and Directions, the Directors of the Bank are responsible for ensuring that the Bank maintains proper books of accounts, which disclose with reasonable accuracy at any time, the financial position of the Bank and prepares proper Financial Statements for each financial year, giving a true and fair view of the state of affairs of the Bank.

The Directors affirm that in preparing the Financial Statements for the year 2016 presented in this Annual Report, the most appropriate accounting policies have been used and applied consistently supported by judgments and estimates that are reasonable and prudent. Material departures, if any, have been disclosed and explained.

The Financial Statements for the year 2016 presented in this Annual Report, are in conformity with the requirements of the Bank of Ceylon Ordinance No. 53 of 1938 and its amendments, Banking Act No. 30 of 1988 and its amendments and Directions issued under it, the Sri Lanka Accounting Standards and other regulatory requirements. These Financial Statements reflect a true and fair view of the state of affairs of the Bank of Ceylon and the Group as at 31 December 2016.

### Going Concern

The Directors are of the view that the Bank and the Group have adequate resources to continue in business in the foreseeable future. Accordingly, they have continued to adopt the going concern basis in preparing the Financial Statements.

### Internal Controls, Risk Management and Compliance

The Directors are also responsible for the system of internal financial controls and risk management and place considerable importance on maintaining a strong control environment to protect and safeguard the Bank's assets and prevent fraud and mismanagement. Whilst inherent and residual risks cannot be completely eliminated, the Bank endeavours to minimise them by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and practiced within predetermined procedures and limits/boundaries.

A report by the Directors on the Bank's internal control mechanism, confirming that the financial reporting system has been designed to provide reasonable assurance regarding the reliability of financial reporting, is given on pages 142 and 143 of this Annual Report.

The Directors and Management have put in place, risk management policies and guidelines. Management committees have been established to monitor and manage material risks. Arrangements are in place to ensure that reports on risk are submitted to the Integrated Risk Management Committee on a quarterly basis for discussion. Compliance with applicable laws, regulations, rules, directives and guidelines are monitored by the Independent Integrated Risk Management Division and reported to the Board.

The Audit Committee and Integrated Risk Management Committee, on an ongoing basis, have acted to strengthen the effectiveness of internal controls and risk management procedures. The reports of the Audit Committee and Integrated Risk Management Committee are included on page 69 to 73 respectively of this Annual Report.

### Audit Report

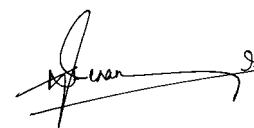
Pursuant to provisions of Article 154 of the Constitution of the Democratic Socialist Republic of Sri Lanka, the Auditor General is the Auditor of the Bank and issues the final opinion on the Financial Statements of the Bank. The responsibilities of the Auditor in relation to the Financial Statements are set out in the Report of the Auditor General on page 146 of this Annual Report. The Auditor General's certification on the effectiveness of the Bank's internal control mechanism is given on page 144 of this Annual Report.

### Compliance

The Directors to the best of their knowledge and belief, are satisfied that all statutory payments, in relation to all relevant regulatory and statutory authorities, which were due and payable by the Bank and its subsidiaries as at the Statement of Financial Position date, have been paid or where relevant provided for.

The Directors are of the view that they have discharged their responsibilities as set out in this statement.

By order of the Board,



**Janaki Senanayake Siriwardane**  
Secretary – Bank of Ceylon/Secretary to the Board

29 March 2017  
Colombo

# Report of the Auditor General



## විගණකාධිපති දෙපාර්තමේන්තුව கணக்காய்வாளர் தலைமை அபிபதி திணைக்களம் AUDITOR GENERAL'S DEPARTMENT



මගේ අංකය  
எனது இல. }  
My No. }

BAF/B/BOC/FA/2016

මගේ අංකය  
உமது இல. }  
Your No. }

දිනය  
திகதி }  
Date }

30 March 2017

The Chairman  
Bank of Ceylon

### Report of the Auditor General on the Financial Statements of the Bank of Ceylon and its subsidiaries for the year ended 31 December 2016

The audit of the Financial Statements of the Bank of Ceylon ('the Bank') and the Consolidated Financial Statements of the Bank and its subsidiaries ('Group') for the year ended 31 December 2016 comprising the Statement of Financial Position as at 31 December 2016 and the Statement of Profit or Loss, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory information was carried out under my direction in pursuance of provisions in Article 154 (I) of the Constitution of the Democratic Socialist Republic of Sri Lanka. To carry out this audit I was assisted by a firm of Chartered Accountants in public practice.

### Board's Responsibility for the Financial Statements

The Board of Directors ('Board') is responsible for the preparation and fair presentation of these Financial Statements in accordance with Sri Lanka Accounting Standards and for such internal control as Board determines is necessary to enable the preparation of Financial Statements that are free from material misstatements, whether due to fraud or error.

### Auditor's Responsibility

My responsibility is to express an opinion on these Financial Statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Financial Statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Financial Statements. The procedures selected depend on the Auditor's judgment, including the assessment of the risks of material misstatement of the Financial Statements, whether due to fraud or error. In making those risk assessments, the Auditor considers internal control relevant to the Bank's preparation and fair presentation of the Financial Statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Board, as well as evaluating the overall presentation of the Financial Statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### Opinion

In my opinion, so far as appears from my examination, the Bank maintained proper accounting records for the year ended 31 December 2016 and the Financial Statement give a true and fair view of the financial position of the Bank as at 31 December 2016 and its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

In my opinion, the Consolidated Financial Statements give a true and fair view of the financial position as at 31 December 2016 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards of the Bank and its subsidiaries dealt with thereby, so far as concerns the shareholders of the Bank.

### Exemption

The Bank has been exempted from the provisions of Part II of the Finance Act, No. 38 of 1971 by an Order of then Minister of Finance published in the Government Gazette No. 715 of 14 May 1992 by virtue of powers vested in him by Sections 5 (1) of the said Finance Act.

### Report to Parliament

My report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution will be tabled in due course.

H M Gamini Wijesinghe  
Auditor General

අංක 306/72, පොල්දූව පාර, බත්තරමුල්ල, ශ්‍රී ලංකාව, . - இல. 306/72, பொல்தூவ வீதி, பத்தரமுல்லை, இலங்கை. - No. 306/72, Polduwa Road, Battaramulla, Sri Lanka



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## Statement of Profit or Loss

| For the year ended 31 December                                                                               | Note | Bank               |                    |              | Group              |                    |              |
|--------------------------------------------------------------------------------------------------------------|------|--------------------|--------------------|--------------|--------------------|--------------------|--------------|
|                                                                                                              |      | 2016<br>LKR '000   | 2015<br>LKR '000   | Change<br>%  | 2016<br>LKR '000   | 2015<br>LKR '000   | Change<br>%  |
| <b>Total income</b>                                                                                          | 7    | <b>154,121,372</b> | <b>131,501,809</b> | <b>17.2</b>  | <b>159,701,225</b> | <b>137,984,350</b> | <b>15.7</b>  |
| Interest income                                                                                              |      | 134,685,338        | 112,745,122        | 19.5         | 139,701,569        | 117,083,894        | 19.3         |
| Less: Interest expenses                                                                                      |      | 80,727,850         | 66,419,398         | 21.5         | 83,095,077         | 68,381,409         | 21.5         |
| <b>Net interest income</b>                                                                                   | 8    | <b>53,957,488</b>  | <b>46,325,724</b>  | <b>16.5</b>  | <b>56,606,492</b>  | <b>48,702,485</b>  | <b>16.2</b>  |
| Fee and commission income                                                                                    |      | 8,739,625          | 8,909,197          | (1.9)        | 8,983,083          | 9,258,470          | (3.0)        |
| Less: Fee and commission expenses                                                                            |      | 1,520,190          | 1,070,847          | 42.0         | 1,607,271          | 1,176,580          | 36.6         |
| <b>Net fee and commission income</b>                                                                         | 9    | <b>7,219,435</b>   | <b>7,838,350</b>   | <b>(7.9)</b> | <b>7,375,812</b>   | <b>8,081,890</b>   | <b>(8.7)</b> |
| Net gains/(losses) from trading                                                                              | 10   | 2,061,616          | 3,968,014          | (48.0)       | 2,037,390          | 3,985,172          | (48.9)       |
| Net gains/(losses) from financial instruments<br>designated at fair value through profit or loss             |      | -                  | -                  | -            | -                  | -                  | -            |
| Net gains/(losses) from financial investments                                                                | 11   | 273,881            | 610,336            | (55.1)       | 312,273            | 641,918            | (51.4)       |
| Other operating income                                                                                       | 12   | 8,360,912          | 5,269,140          | 58.7         | 8,666,910          | 7,014,896          | 23.6         |
| <b>Total operating income</b>                                                                                |      | <b>71,873,332</b>  | <b>64,011,564</b>  | <b>12.3</b>  | <b>74,998,877</b>  | <b>68,426,361</b>  | <b>9.6</b>   |
| Less: Impairment charge/(reversal) for loans and<br>other losses                                             | 13   | 4,396,761          | 5,903,803          | (25.5)       | 4,421,000          | 6,365,954          | (30.6)       |
| <b>Net operating income</b>                                                                                  |      | <b>67,476,571</b>  | <b>58,107,761</b>  | <b>16.1</b>  | <b>70,577,877</b>  | <b>62,060,407</b>  | <b>13.7</b>  |
| <b>Less: Operating expenses</b>                                                                              |      |                    |                    |              |                    |                    |              |
| Personnel expenses                                                                                           | 14   | 16,844,431         | 16,744,196         | 0.6          | 18,409,329         | 18,158,068         | 1.4          |
| Other expenses                                                                                               | 15   | 13,178,506         | 11,268,925         | 16.9         | 15,737,789         | 13,646,317         | 15.3         |
| <b>Total operating expenses</b>                                                                              |      | <b>30,022,937</b>  | <b>28,013,121</b>  | <b>7.2</b>   | <b>34,147,118</b>  | <b>31,804,385</b>  | <b>7.4</b>   |
| <b>Operating profit before Value Added Tax (VAT) and<br/>Nation Building Tax (NBT) on financial services</b> |      | <b>37,453,634</b>  | <b>30,094,640</b>  | <b>24.5</b>  | <b>36,430,759</b>  | <b>30,256,022</b>  | <b>20.4</b>  |
| Less: Value Added Tax (VAT) and<br>Nation Building Tax (NBT) on financial services                           |      | 6,264,949          | 4,815,725          | 30.1         | 6,376,679          | 4,872,944          | 30.9         |
| <b>Operating profit after Value Added Tax (VAT) and<br/>Nation Building Tax (NBT) on financial services</b>  |      | <b>31,188,685</b>  | <b>25,278,915</b>  | <b>23.4</b>  | <b>30,054,080</b>  | <b>25,383,078</b>  | <b>18.4</b>  |
| Share of profits/(losses) of associate companies,<br>net of tax                                              | 16   | -                  | -                  |              | 62,952             | 93,590             | (32.7)       |
| <b>Profit before income tax</b>                                                                              |      | <b>31,188,685</b>  | <b>25,278,915</b>  | <b>23.4</b>  | <b>30,117,032</b>  | <b>25,476,668</b>  | <b>18.2</b>  |
| Less: Income tax expense                                                                                     | 17   | 6,397,689          | 7,921,477          | (19.2)       | 6,731,105          | 8,089,281          | (16.8)       |
| <b>Profit for the year</b>                                                                                   |      | <b>24,790,996</b>  | <b>17,357,438</b>  | <b>42.8</b>  | <b>23,385,927</b>  | <b>17,387,387</b>  | <b>34.5</b>  |
| <b>Profit attributable to:</b>                                                                               |      |                    |                    |              |                    |                    |              |
| Equity holder of the Bank                                                                                    |      | 24,790,996         | 17,357,438         | 42.8         | 23,496,656         | 17,376,077         | 35.2         |
| Non-controlling interest                                                                                     |      | -                  | -                  |              | (110,729)          | 11,310             | (1,079.0)    |
| <b>Profit for the year</b>                                                                                   |      | <b>24,790,996</b>  | <b>17,357,438</b>  | <b>42.8</b>  | <b>23,385,927</b>  | <b>17,387,387</b>  | <b>34.5</b>  |
| <b>Earnings per share:</b>                                                                                   | 18   |                    |                    |              |                    |                    |              |
| Basic earnings per share (LKR)                                                                               |      | 2,479.10           | 2,436.72           | 1.7          | 2,349.67           | 2,439.33           | (3.7)        |
| Diluted earnings per share (LKR)                                                                             |      | 2,439.01           | 1,735.74           | 40.5         | 2,311.67           | 1,737.61           | 33.0         |
| Dividend per share (LKR)                                                                                     |      | 1,734.64           | 890.94             | 94.7         | 1,734.64           | 890.94             | 94.7         |

The Notes to the Financial Statements from pages 156 to 292 form an integral part of these Financial Statements.

## Statement of Comprehensive Income

| For the year ended 31 December                                                                  | Bank               |                    |               | Group              |                    |                |
|-------------------------------------------------------------------------------------------------|--------------------|--------------------|---------------|--------------------|--------------------|----------------|
|                                                                                                 | 2016<br>LKR '000   | 2015<br>LKR '000   | Change<br>%   | 2016<br>LKR '000   | 2015<br>LKR '000   | Change<br>%    |
| <b>Profit for the year</b>                                                                      | <b>24,790,996</b>  | <b>17,357,438</b>  | <b>42.8</b>   | <b>23,385,927</b>  | <b>17,387,387</b>  | <b>34.5</b>    |
| <b>Other comprehensive income, net of tax</b>                                                   |                    |                    |               |                    |                    |                |
| <b>Items that will not be reclassified to profit or loss</b>                                    |                    |                    |               |                    |                    |                |
| Changes in revaluation surplus/(deficit)                                                        | 1,394,640          | 8,169              | 16,972.3      | 2,307,452          | 933,459            | 147.2          |
| Deferred tax effect on above                                                                    | –                  | 12,318             | (100.0)       | (255,587)          | (246,763)          | 3.6            |
| Actuarial gains/(losses) on defined benefit plans                                               | (1,621,904)        | (1,005,125)        | 61.4          | (1,580,561)        | (967,908)          | 63.3           |
| Deferred tax effect on above                                                                    | 32,038             | (365,207)          | 108.8         | 30,061             | (377,122)          | 108.0          |
| <b>Net other comprehensive income that will not be reclassified to profit or loss</b>           | <b>(195,226)</b>   | <b>(1,349,845)</b> | <b>(85.5)</b> | <b>501,365</b>     | <b>(658,334)</b>   | <b>(176.2)</b> |
| <b>Items that are or may be reclassified to profit or loss</b>                                  |                    |                    |               |                    |                    |                |
| Exchange gains/(losses) arising from translating the Financial Statements of foreign operations | 165,793            | 459,561            | (63.9)        | (228,067)          | 578,104            | (139.5)        |
| Gains/(Losses) on re measuring available for sale financial investments                         | (1,025,760)        | (1,299,873)        | (21.1)        | (957,182)          | (1,094,565)        | (12.6)         |
| Deferred tax effect on above                                                                    | (8,893)            | (122,661)          | (92.7)        | (8,893)            | (122,661)          | (92.7)         |
| Realised gains on available for sale financial investments transferred to profit or loss        | (15,525)           | (3,772)            | 311.6         | (15,525)           | (3,772)            | 311.6          |
| Share of other comprehensive income of associate companies, net of tax                          | –                  | –                  | –             | 2,174              | 416                | 422.6          |
| <b>Net other comprehensive income that are or may be reclassified to profit or loss</b>         | <b>(884,385)</b>   | <b>(966,745)</b>   | <b>(8.5)</b>  | <b>(1,207,493)</b> | <b>(642,478)</b>   | <b>87.9</b>    |
| <b>Other comprehensive income for the year, net of tax</b>                                      | <b>(1,079,611)</b> | <b>(2,316,590)</b> | <b>(53.4)</b> | <b>(706,128)</b>   | <b>(1,300,812)</b> | <b>(45.7)</b>  |
| <b>Total comprehensive income for the year</b>                                                  | <b>23,711,385</b>  | <b>15,040,848</b>  | <b>57.6</b>   | <b>22,679,799</b>  | <b>16,086,575</b>  | <b>41.0</b>    |
| <b>Attributable to:</b>                                                                         |                    |                    |               |                    |                    |                |
| Equity holder of the Bank                                                                       | 23,711,385         | 15,040,848         | 57.6          | 22,758,128         | 16,047,289         | 41.8           |
| Non-controlling interest                                                                        | –                  | –                  | –             | (78,329)           | 39,286             | (299.4)        |
| <b>Total comprehensive income for the year</b>                                                  | <b>23,711,385</b>  | <b>15,040,848</b>  | <b>57.6</b>   | <b>22,679,799</b>  | <b>16,086,575</b>  | <b>41.0</b>    |

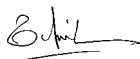
The Notes to the Financial Statements from pages 156 to 292 form an integral part of these Financial Statements.

## Statement of Financial Position

| As at 31 December                                             | Note | Bank                 |                      |             | Group                |                      |             |
|---------------------------------------------------------------|------|----------------------|----------------------|-------------|----------------------|----------------------|-------------|
|                                                               |      | 2016<br>LKR '000     | 2015<br>LKR '000     | Change<br>% | 2016<br>LKR '000     | 2015<br>LKR '000     | Change<br>% |
| <b>Assets</b>                                                 |      |                      |                      |             |                      |                      |             |
| Cash and cash equivalents                                     | 20   | 67,705,791           | 79,916,559           | (15.3)      | 73,244,043           | 83,722,721           | (12.5)      |
| Balances with Central Banks                                   | 21   | 56,387,741           | 38,939,790           | 44.8        | 56,387,741           | 38,939,790           | 44.8        |
| Placements with banks                                         | 22   | 11,674,664           | 27,975,582           | (58.3)      | 12,931,605           | 28,355,579           | (54.4)      |
| Securities purchased under resale agreements                  |      | 1,901,618            | 12,299,088           | (84.5)      | 2,350,704            | 13,678,789           | (82.8)      |
| Derivative financial instruments                              | 23   | 5,300,844            | 7,419,288            | (28.6)      | 5,300,844            | 7,419,288            | (28.6)      |
| Financial instruments – Held for trading                      | 24   | 8,474,041            | 12,173,304           | (30.4)      | 8,804,647            | 12,726,045           | (30.8)      |
| Financial investments – Loans and receivables                 | 25   | 191,874,638          | 232,561,268          | (17.5)      | 191,984,082          | 233,003,742          | (17.6)      |
| Loans and advances to customers                               | 26   | 1,000,082,574        | 826,789,630          | 21.0        | 1,027,768,110        | 851,905,227          | 20.6        |
| Financial investments – Available for sale                    | 27   | 10,463,046           | 12,021,569           | (13.0)      | 16,263,641           | 16,266,652           | (0.0)       |
| Financial investments – Held to maturity                      | 28   | 243,178,400          | 246,288,625          | (1.3)       | 243,253,967          | 246,349,511          | (1.3)       |
| Investment in subsidiary companies                            | 29   | 6,213,048            | 6,213,048            | –           | –                    | –                    | –           |
| Investment in associate companies                             | 30   | 92,988               | 842,988              | (89.0)      | 420,669              | 1,912,317            | (78.0)      |
| Investment properties                                         | 31   | 3,000,000            | –                    | 100.0       | 127,670              | 145,840              | (12.5)      |
| Property, Plant and Equipment                                 | 32   | 15,482,163           | 16,325,758           | (5.2)       | 29,200,036           | 26,441,803           | 10.4        |
| Leasehold properties                                          | 33   | 101,839              | 104,653              | (2.7)       | 136,155              | 140,330              | (3.0)       |
| Intangible assets                                             | 34   | 563,490              | 373,315              | 50.9        | 655,630              | 503,958              | 30.1        |
| Deferred tax assets                                           | 35   | –                    | –                    | –           | 5,456                | 10,142               | (46.2)      |
| Other assets                                                  | 36   | 46,794,389           | 48,044,235           | (2.6)       | 47,721,701           | 48,677,586           | (2.0)       |
| <b>Total assets</b>                                           |      | <b>1,669,291,274</b> | <b>1,568,288,700</b> | <b>6.4</b>  | <b>1,716,556,701</b> | <b>1,610,199,320</b> | <b>6.6</b>  |
| <b>Liabilities</b>                                            |      |                      |                      |             |                      |                      |             |
| Due to banks                                                  | 37   | 2,042,322            | 2,630,408            | (22.4)      | 2,053,945            | 2,632,827            | (22.0)      |
| Securities sold under repurchase agreements                   |      | 59,424,629           | 87,353,154           | (32.0)      | 58,925,801           | 86,213,965           | (31.7)      |
| Derivative financial instruments                              | 38   | 171,663              | 156,302              | 9.8         | 171,663              | 156,302              | 9.8         |
| Due to customers                                              | 39   | 1,256,589,490        | 1,082,337,118        | 16.1        | 1,273,631,287        | 1,097,950,702        | 16.0        |
| Other borrowings                                              | 40   | 195,469,853          | 250,089,102          | (21.8)      | 204,485,301          | 255,795,079          | (20.1)      |
| Debt securities issued                                        | 41   | 3,427,058            | 3,427,058            | –           | 8,360,333            | 8,703,747            | (3.9)       |
| Current tax liabilities                                       |      | –                    | 2,080,849            | (100.0)     | 253,020              | 2,284,079            | (88.9)      |
| Deferred tax liabilities                                      | 35   | 1,439,285            | 1,516,995            | (5.1)       | 4,078,734            | 3,948,551            | 3.3         |
| Insurance provision – Life                                    | 42   | –                    | –                    | –           | 514,675              | 444,257              | 15.9        |
| Insurance provision – Non-life                                | 42   | –                    | –                    | –           | 775,375              | 517,659              | 49.8        |
| Other liabilities                                             | 43   | 19,231,833           | 21,585,644           | (10.9)      | 21,656,513           | 23,187,932           | (6.6)       |
| Subordinated term debts                                       | 45   | 38,645,546           | 35,627,450           | 8.5         | 38,295,318           | 35,290,007           | 8.5         |
| <b>Total liabilities</b>                                      |      | <b>1,576,441,679</b> | <b>1,486,804,080</b> | <b>6.0</b>  | <b>1,613,201,965</b> | <b>1,517,125,107</b> | <b>6.3</b>  |
| <b>Equity</b>                                                 |      |                      |                      |             |                      |                      |             |
| Share capital                                                 | 46   | 15,000,000           | 10,000,000           | 50.0        | 15,000,000           | 10,000,000           | 50.0        |
| Permanent reserve fund                                        | 47   | 7,996,000            | 5,209,955            | 53.5        | 7,996,000            | 5,209,955            | 53.5        |
| Retained earnings                                             |      | 54,154,685           | 51,086,010           | 6.0         | 55,659,003           | 53,888,295           | 3.3         |
| Other reserves                                                | 48   | 15,698,910           | 15,188,655           | 3.4         | 23,820,288           | 22,965,323           | 3.7         |
| <b>Total equity attributable to equity holder of the Bank</b> |      | <b>92,849,595</b>    | <b>81,484,620</b>    | <b>13.9</b> | <b>102,475,291</b>   | <b>92,063,573</b>    | <b>11.3</b> |
| Non-controlling interest                                      | 49   | –                    | –                    | –           | 879,445              | 1,010,640            | (13.0)      |
| <b>Total equity</b>                                           |      | <b>92,849,595</b>    | <b>81,484,620</b>    | <b>13.9</b> | <b>103,354,736</b>   | <b>93,074,213</b>    | <b>11.0</b> |
| <b>Total liabilities and equity</b>                           |      | <b>1,669,291,274</b> | <b>1,568,288,700</b> | <b>6.4</b>  | <b>1,716,556,701</b> | <b>1,610,199,320</b> | <b>6.6</b>  |
| Contingent liabilities and commitments                        | 51   | 547,398,625          | 696,857,050          | (21.4)      | 548,333,620          | 697,938,094          | (21.4)      |
| Net assets value per share (LKR)                              | 46   | 9,284.96             | 8,148.46             | 13.9        | 10,247.53            | 9,206.36             | 11.3        |

The Notes to the Financial Statements from pages 156 to 292 form an integral part of these Financial Statements.

These Financial Statements give a true and fair view of the state of affairs of the Bank of Ceylon and the Group as at 31 December 2016 and its profit for the year then ended.



**W P Russel Fonseka**  
Chief Financial Officer

The Board of Directors is responsible for the preparation and presentation of these Financial Statements. Approved and signed for and on behalf of the Board,



**Ronald C Perera**  
Chairman

29 March 2017  
Colombo



**Ranel T Wijesinha**  
Director



**D M Gunasekara**  
General Manager

## Statement of Changes in Equity

### Bank

|                                                                       | Note | Share Capital<br>LKR '000 | Capital Pending Allotment<br>LKR '000 | Permanent Reserve Fund<br>LKR '000 |
|-----------------------------------------------------------------------|------|---------------------------|---------------------------------------|------------------------------------|
| <b>Balance as at 1 January 2015</b>                                   |      | 5,000,000                 | 5,000,000                             | 3,809,955                          |
| Super Gain Tax paid                                                   |      | -                         | -                                     | -                                  |
| Total comprehensive income for the year                               |      |                           |                                       |                                    |
| Profit for the year                                                   |      | -                         | -                                     | -                                  |
| Other comprehensive income, net of tax                                |      | -                         | -                                     | -                                  |
| <b>Total comprehensive income for the year</b>                        |      | -                         | -                                     | -                                  |
| <b>Transactions with equity holder, recognised directly in equity</b> |      |                           |                                       |                                    |
| Dividends for 2015                                                    | 18.3 | -                         | -                                     | -                                  |
| Transfers to share capital                                            | 46.1 | 5,000,000                 | (5,000,000)                           | -                                  |
| Transfers to permanent reserve fund                                   | 47   | -                         | -                                     | 1,400,000                          |
| <b>Total transactions with equity holder</b>                          |      | <b>5,000,000</b>          | <b>(5,000,000)</b>                    | <b>1,400,000</b>                   |
| <b>Balance as at 31 December 2015</b>                                 |      | <b>10,000,000</b>         | <b>-</b>                              | <b>5,209,955</b>                   |
| <b>Balance as at 1 January 2016</b>                                   |      | <b>10,000,000</b>         | <b>-</b>                              | <b>5,209,955</b>                   |
| Total comprehensive income for the year                               |      |                           |                                       |                                    |
| Profit for the year                                                   |      | -                         | -                                     | -                                  |
| Other comprehensive income, net of tax                                |      | -                         | -                                     | -                                  |
| <b>Total comprehensive income for the year</b>                        |      | <b>-</b>                  | <b>-</b>                              | <b>-</b>                           |
| <b>Transactions with equity holder, recognised directly in equity</b> |      |                           |                                       |                                    |
| Dividends for 2016                                                    | 18.3 | -                         | -                                     | -                                  |
| Capital infusion during the year                                      |      | -                         | 5,000,000                             | -                                  |
| Transfers to permanent reserve fund                                   | 47   | -                         | -                                     | 2,786,045                          |
| <b>Total transactions with equity holder</b>                          |      | <b>-</b>                  | <b>5,000,000</b>                      | <b>2,786,045</b>                   |
| <b>Balance as at 31 December 2016</b>                                 |      | <b>10,000,000</b>         | <b>5,000,000</b>                      | <b>7,996,000</b>                   |



|  | Other Reserves                         |                            |                                 | Retained Earnings<br>LKR '000 | Total Equity<br>LKR '000 |
|--|----------------------------------------|----------------------------|---------------------------------|-------------------------------|--------------------------|
|  | Available for Sale Reserve<br>LKR '000 | Other Reserves<br>LKR '000 | Revaluation Reserve<br>LKR '000 |                               |                          |
|  | 6,963,665                              | 584,081                    | 8,587,167                       | 44,861,045                    | 74,805,913               |
|  | -                                      | -                          | -                               | (2,015,731)                   | (2,015,731)              |
|  | -                                      | -                          | -                               | 17,357,438                    | 17,357,438               |
|  | (1,426,306)                            | 459,561                    | 20,487                          | (1,370,332)                   | (2,316,590)              |
|  | <b>(1,426,306)</b>                     | <b>459,561</b>             | <b>20,487</b>                   | <b>15,987,106</b>             | <b>15,040,848</b>        |
|  | -                                      | -                          | -                               | (6,346,410)                   | (6,346,410)              |
|  | -                                      | -                          | -                               | -                             | -                        |
|  | -                                      | -                          | -                               | (1,400,000)                   | -                        |
|  | -                                      | -                          | -                               | <b>(7,746,410)</b>            | <b>(6,346,410)</b>       |
|  | <b>5,537,359</b>                       | <b>1,043,642</b>           | <b>8,607,654</b>                | <b>51,086,010</b>             | <b>81,484,620</b>        |
|  | 5,537,359                              | 1,043,642                  | 8,607,654                       | 51,086,010                    | 81,484,620               |
|  | -                                      | -                          | -                               | 24,790,996                    | 24,790,996               |
|  | (1,050,178)                            | 165,793                    | 1,394,640                       | (1,589,866)                   | (1,079,611)              |
|  | <b>(1,050,178)</b>                     | <b>165,793</b>             | <b>1,394,640</b>                | <b>23,201,130</b>             | <b>23,711,385</b>        |
|  | -                                      | -                          | -                               | (17,346,410)                  | (17,346,410)             |
|  | -                                      | -                          | -                               | -                             | 5,000,000                |
|  | -                                      | -                          | -                               | (2,786,045)                   | -                        |
|  | -                                      | -                          | -                               | (20,132,455)                  | (12,346,410)             |
|  | <b>4,487,181</b>                       | <b>1,209,435</b>           | <b>10,002,294</b>               | <b>54,154,685</b>             | <b>92,849,595</b>        |

## Group

|                                                                        | Note | Share Capital<br>LKR '000 | Capital Pending Allotment<br>LKR '000 | Permanent Reserve Fund<br>LKR '000 |
|------------------------------------------------------------------------|------|---------------------------|---------------------------------------|------------------------------------|
| <b>Balance as at 1 January 2015</b>                                    |      | 5,000,000                 | 5,000,000                             | 3,809,955                          |
| Super Gain Tax paid                                                    |      | -                         | -                                     | -                                  |
| Total comprehensive income for the year                                |      |                           |                                       |                                    |
| Profit for the year                                                    |      | -                         | -                                     | -                                  |
| Other comprehensive income, net of tax                                 |      | -                         | -                                     | -                                  |
| <b>Total comprehensive income for the year</b>                         |      | -                         | -                                     | -                                  |
| <b>Transactions with equity holders, recognised directly in equity</b> |      |                           |                                       |                                    |
| Dividends for 2015                                                     | 18.3 | -                         | -                                     | -                                  |
| Subsidiary dividends to non-controlling interest                       |      | -                         | -                                     | -                                  |
| Transfers to share capital                                             |      | 5,000,000                 | (5,000,000)                           | -                                  |
| Transfers to permanent reserve fund                                    | 47   | -                         | -                                     | 1,400,000                          |
| Transfers to other reserves                                            | 48.5 | -                         | -                                     | -                                  |
| Merger and changes in non-controlling interest                         |      | -                         | -                                     | -                                  |
| <b>Total transactions with equity holders</b>                          |      | <b>5,000,000</b>          | <b>(5,000,000)</b>                    | <b>1,400,000</b>                   |
| <b>Balance as at 31 December 2015</b>                                  |      | <b>10,000,000</b>         | <b>-</b>                              | <b>5,209,955</b>                   |
| <b>Balance as at 1 January 2016</b>                                    |      | <b>10,000,000</b>         | <b>-</b>                              | <b>5,209,955</b>                   |
| Total comprehensive income for the year                                |      |                           |                                       |                                    |
| Profit for the year                                                    |      | -                         | -                                     | -                                  |
| Other comprehensive income, net of tax                                 |      | -                         | -                                     | -                                  |
| <b>Total comprehensive income for the year</b>                         |      | <b>-</b>                  | <b>-</b>                              | <b>-</b>                           |
| <b>Transactions with equity holders, recognised directly in equity</b> |      |                           |                                       |                                    |
| Dividends for 2016                                                     | 18.3 | -                         | -                                     | -                                  |
| Subsidiary dividends to non-controlling interest                       |      | -                         | -                                     | -                                  |
| Capital infusion during the year                                       | 46.1 | -                         | 5,000,000                             | -                                  |
| Transfers to permanent reserve fund                                    | 47   | -                         | -                                     | 2,786,045                          |
| Transfers to other reserves                                            | 48.5 | -                         | -                                     | -                                  |
| <b>Total transactions with equity holders</b>                          |      | <b>-</b>                  | <b>5,000,000</b>                      | <b>2,786,045</b>                   |
| <b>Balance as at 31 December 2016</b>                                  |      | <b>10,000,000</b>         | <b>5,000,000</b>                      | <b>7,996,000</b>                   |

The Notes to the Financial Statements from pages 156 to 292 form an integral part of these Financial Statements.

| Attributable to equity holder of the Bank |                            |                                 |                            | Retained Earnings<br>LKR '000 | Non-Controlling Interest<br>LKR '000 | Total Equity<br>LKR '000 |
|-------------------------------------------|----------------------------|---------------------------------|----------------------------|-------------------------------|--------------------------------------|--------------------------|
| Available for Sale Reserve<br>LKR '000    | Other Reserves<br>LKR '000 | Revaluation Reserve<br>LKR '000 | Other Reserves<br>LKR '000 |                               |                                      |                          |
| 7,762,004                                 | 1,352,418                  | 13,807,627                      | 47,661,936                 | 1,186,781                     | 85,580,721                           |                          |
| -                                         | -                          | -                               | (2,197,156)                | (15,059)                      | (2,212,215)                          |                          |
| -                                         | -                          | -                               | 17,376,077                 | 11,310                        | 17,387,387                           |                          |
| (1,218,216)                               | 578,104                    | 661,381                         | (1,350,058)                | 27,977                        | (1,300,812)                          |                          |
| <b>(1,218,216)</b>                        | <b>578,104</b>             | <b>661,381</b>                  | <b>16,026,019</b>          | <b>39,287</b>                 | <b>16,086,575</b>                    |                          |
| -                                         | -                          | -                               | (6,346,410)                | -                             | (6,346,410)                          |                          |
| -                                         | -                          | -                               | -                          | (8,811)                       | (8,811)                              |                          |
| -                                         | -                          | -                               | -                          | -                             | -                                    |                          |
| -                                         | -                          | -                               | (1,400,000)                | -                             | -                                    |                          |
| -                                         | 22,936                     | -                               | (22,936)                   | -                             | -                                    |                          |
| (4,273)                                   | 3,342                      | -                               | 166,842                    | (191,558)                     | (25,647)                             |                          |
| <b>(4,273)</b>                            | <b>26,278</b>              | <b>-</b>                        | <b>(7,602,504)</b>         | <b>(200,369)</b>              | <b>(6,380,868)</b>                   |                          |
| <b>6,539,515</b>                          | <b>1,956,800</b>           | <b>14,469,008</b>               | <b>53,888,295</b>          | <b>1,010,640</b>              | <b>93,074,213</b>                    |                          |
| 6,539,515                                 | 1,956,800                  | 14,469,008                      | 53,888,295                 | 1,010,640                     | 93,074,213                           |                          |
| -                                         | -                          | -                               | 23,496,656                 | (110,729)                     | 23,385,927                           |                          |
| (977,249)                                 | (228,067)                  | 2,025,051                       | (1,558,263)                | 32,400                        | (706,128)                            |                          |
| <b>(977,249)</b>                          | <b>(228,067)</b>           | <b>2,025,051</b>                | <b>21,938,393</b>          | <b>(78,329)</b>               | <b>22,679,799</b>                    |                          |
| -                                         | -                          | -                               | (17,346,410)               | -                             | (17,346,410)                         |                          |
| -                                         | -                          | -                               | -                          | (52,866)                      | (52,866)                             |                          |
| -                                         | -                          | -                               | -                          | -                             | 5,000,000                            |                          |
| -                                         | -                          | -                               | (2,786,045)                | -                             | -                                    |                          |
| -                                         | 35,230                     | -                               | (35,230)                   | -                             | -                                    |                          |
| -                                         | 35,230                     | -                               | (20,167,685)               | (52,866)                      | (12,399,276)                         |                          |
| <b>5,562,266</b>                          | <b>1,763,963</b>           | <b>16,494,059</b>               | <b>55,659,003</b>          | <b>879,445</b>                | <b>103,354,736</b>                   |                          |

## Statement of Cash Flows

| For the year ended 31 December                                           | Note | Bank                |                      | Group               |                      |
|--------------------------------------------------------------------------|------|---------------------|----------------------|---------------------|----------------------|
|                                                                          |      | 2016<br>LKR '000    | 2015<br>LKR '000     | 2016<br>LKR '000    | 2015<br>LKR '000     |
| <b>Cash Flows from Operating Activities</b>                              |      |                     |                      |                     |                      |
| Profit before income tax                                                 |      | 31,188,685          | 25,278,915           | 30,117,032          | 25,476,668           |
| Adjustments for:                                                         |      |                     |                      |                     |                      |
| Net interest income                                                      | 8    | (53,957,488)        | (46,325,724)         | (56,606,492)        | (48,702,485)         |
| Dividend income on trading securities                                    | 10   | (113,674)           | (111,327)            | (126,801)           | (123,886)            |
| Dividends from subsidiaries and associates                               | 12   | (1,102,158)         | (259,048)            | -                   | -                    |
| Share of profits/(losses) of associate companies, net of tax             | 16   | -                   | -                    | (62,952)            | (93,590)             |
| Change in operating assets                                               | 50.1 | (160,667,438)       | (74,890,341)         | (163,958,901)       | (78,214,226)         |
| Change in operating liabilities                                          | 50.2 | 131,411,796         | 188,810,164          | 134,895,340         | 190,869,467          |
| Other non-cash items included in profit before tax                       | 50.3 | 3,832,099           | 7,217,589            | 4,890,843           | 8,390,831            |
| Other net gains from investing activities                                |      | (273,881)           | (610,336)            | (312,273)           | (641,918)            |
|                                                                          |      | <b>(49,682,059)</b> | <b>99,109,892</b>    | <b>(51,164,204)</b> | <b>96,960,861</b>    |
| Benefit paid from defined benefit plans                                  |      | (6,427,894)         | (6,221,447)          | (6,469,307)         | (6,238,989)          |
| Interest received                                                        |      | 95,086,587          | 85,793,707           | 99,900,577          | 89,713,176           |
| Interest paid                                                            |      | (54,415,320)        | (46,611,096)         | (56,022,201)        | (47,694,488)         |
| Dividends received                                                       |      | 113,674             | 111,327              | 126,801             | 123,886              |
| <b>Net cash from/(used in) operating activities before income tax</b>    |      | <b>(15,325,012)</b> | <b>132,182,383</b>   | <b>(13,628,334)</b> | <b>132,864,446</b>   |
| Income tax paid                                                          |      | (6,020,924)         | (2,663,879)          | (6,248,626)         | (2,936,778)          |
| Super Gain Tax paid                                                      |      | -                   | (2,015,731)          | -                   | (2,212,215)          |
| <b>Net cash from/(used in) operating activities</b>                      |      | <b>(21,345,936)</b> | <b>127,502,773</b>   | <b>(19,876,960)</b> | <b>127,715,453</b>   |
| <b>Cash Flows from Investing Activities</b>                              |      |                     |                      |                     |                      |
| Net (increase)/decrease in financial investments – Held to maturity      |      | 3,105,015           | (30,362,837)         | 3,090,334           | (30,201,031)         |
| Net (increase)/decrease in financial investments – Available for sale    |      | 624,947             | 1,128,180            | (861,988)           | 338,023              |
| Net (increase)/decrease in financial investments – Loans and receivables |      | 40,686,630          | (101,699,901)        | 41,019,663          | (101,320,902)        |
| Proceeds from disposal of an associate company                           |      | 3,880,000           | -                    | 3,880,000           | -                    |
| Purchase of Property, Plant and Equipment and leasehold properties       |      | (2,052,805)         | (1,332,486)          | (2,207,275)         | (1,571,210)          |
| Purchase of intangible assets                                            |      | (376,643)           | (180,593)            | (390,549)           | (205,725)            |
| Proceeds from sale of Property, Plant and Equipment                      |      | 18,961              | 7,677                | 63,951              | 14,711               |
| Dividends received                                                       |      | 1,268,331           | 777,533              | 204,565             | 550,067              |
| Interest received                                                        |      | 36,487,727          | 29,674,085           | 36,809,586          | 30,093,413           |
| <b>Net cash from/(used in) investing activities</b>                      |      | <b>83,642,163</b>   | <b>(101,988,342)</b> | <b>81,608,287</b>   | <b>(102,302,654)</b> |

| <i>For the year ended 31 December</i>                                | Note | Bank                |                   | Group               |                   |
|----------------------------------------------------------------------|------|---------------------|-------------------|---------------------|-------------------|
|                                                                      |      | 2016<br>LKR '000    | 2015<br>LKR '000  | 2016<br>LKR '000    | 2015<br>LKR '000  |
| <b>Cash Flows from Financing Activities</b>                          |      |                     |                   |                     |                   |
| Net increase/(decrease) in other borrowings                          |      | (42,090,586)        | 62,621,862        | (38,650,060)        | 65,572,367        |
| Proceeds from issue of shares                                        |      | 5,000,000           | –                 | 5,000,000           | –                 |
| Proceeds from issue of debentures                                    |      | 8,000,000           | 8,000,000         | 7,990,000           | 8,000,000         |
| Payments on redemption of debentures                                 |      | (5,032,015)         | (22,398,509)      | (5,368,253)         | (22,677,294)      |
| Dividends paid to Government of Sri Lanka                            |      | (18,346,410)        | (5,346,410)       | (18,346,410)        | (5,346,410)       |
| Dividends paid to non-controlling interest                           |      | –                   | –                 | (52,866)            | (8,811)           |
| Interest payments on borrowings and debt securities                  |      | (21,458,109)        | (24,894,920)      | (22,211,745)        | (25,882,760)      |
| <b>Net cash from/(used in) financing activities</b>                  |      | <b>(73,927,120)</b> | <b>17,982,023</b> | <b>(71,639,334)</b> | <b>19,657,092</b> |
|                                                                      |      |                     |                   |                     |                   |
| Net increase/(decrease) in cash and cash equivalents during the year |      | (11,630,893)        | 43,496,454        | (9,908,007)         | 45,069,891        |
| Cash and cash equivalents at the beginning of the year               |      | 78,529,331          | 35,032,877        | 82,333,074          | 37,263,183        |
| <b>Cash and cash equivalents at the end of the year</b>              |      | <b>66,898,438</b>   | <b>78,529,331</b> | <b>72,425,067</b>   | <b>82,333,074</b> |
|                                                                      |      |                     |                   |                     |                   |
| <b>Analysis of Cash and Cash Equivalents</b>                         |      |                     |                   |                     |                   |
| Cash and cash equivalents                                            | 20   | 67,705,791          | 79,916,559        | 73,244,043          | 83,722,721        |
| Bank overdrafts                                                      | 37   | (807,353)           | (1,387,228)       | (818,976)           | (1,389,647)       |
| <b>Cash and cash equivalents at the end of the year</b>              |      | <b>66,898,438</b>   | <b>78,529,331</b> | <b>72,425,067</b>   | <b>82,333,074</b> |

The Notes to the Financial Statements from pages 156 to 292 form an integral part of these Financial Statements.

# Notes to the Financial Statements

## 1. Reporting Entity

### 1.1 Corporate Information

Bank of Ceylon (the 'Bank') is a Government owned bank domiciled in Sri Lanka, duly incorporated on 1 August 1939 under the Bank of Ceylon Ordinance No. 53 of 1938. It is a licensed commercial bank established under the Banking Act No. 30 of 1988 and amendments thereto. The registered office of the Bank is situated at 'BOC Square', No. 01, Bank of Ceylon Mawatha, Colombo 01, Sri Lanka. The debentures issued by the Bank are listed on the Colombo Stock Exchange and the senior notes amounting to USD 1,000 million are listed on the Singapore Stock Exchange. The staff strength of the Bank as at 31 December 2016 was 7,569 (2015 – 7,980).

### 1.2 Consolidated Financial Statements

The Consolidated Financial Statements are prepared as at and for the year ended 31 December 2016 comprise the Bank ('Parent'), its subsidiaries (together referred to as the 'Group' and individually as 'Group Entities') and the Group's interests in its associate companies. The Financial Statements of the companies in the Group have common financial year which ends on 31 December, except the associate companies of Transnational Lanka Records Solutions (Private) Limited and Ceybank Asset Management Limited. The Bank is the ultimate parent of the Group.

### 1.3 Principal Activities

#### 1.3.1 Bank

The principal activities of the Bank during the year were, personal banking, corporate banking, development banking, offshore banking, trade financing, lease financing, primary dealing, investment banking and treasury operations, correspondent banking and money remittances, Islamic banking, bancassurance, pawning, credit card facilities, foreign currency operations, and other financial services.

#### 1.3.2 Subsidiaries

The principal activities of the subsidiaries of the Bank are as follows:

| Name of the Company                                     | Principal Business Activities                                                                                                                                                                                             |
|---------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Property Development PLC                                | Own, maintain and manage the Bank of Ceylon head office building                                                                                                                                                          |
| Merchant Bank of Sri Lanka & Finance PLC                | Leasing, hire purchase, corporate and retail, credit, corporate advisory services, capital market operations, margin trading, microfinancing, agricultural credit facilities, real estate, pawning and accepting deposits |
| BOC Management & Support Services (Private) Limited     | Provides management services to the Bank                                                                                                                                                                                  |
| BOC Property Development & Management (Private) Limited | Renting of office space of BOC Merchant Tower in Colombo 03 and Ceybank House in Kandy                                                                                                                                    |
| BOC Travels (Private) Limited                           | Engages in travel related services                                                                                                                                                                                        |
| Hotels Colombo (1963) Limited                           | Provides hotel services                                                                                                                                                                                                   |
| Ceybank Holiday Homes (Private) Limited                 | Maintaining of pilgrims rests/holiday homes/guest houses                                                                                                                                                                  |
| MBSL Insurance Company Limited                          | Underwriting of all classes of life and general insurance                                                                                                                                                                 |
| Koladeniya Hydropower (Private) Limited                 | Hydropower generation                                                                                                                                                                                                     |
| Bank of Ceylon (UK) Limited                             | Authorised Licensed Commercial Bank by Prudential Regulation Authority of United Kingdom, engages in retail and corporate banking, treasury operations, correspondent banking services and trade finance services         |

#### 1.3.3 Associates

The principal activities of the associates of the Bank are as follows:

| Name of the Company                                     | Principal Business Activities                                                       |
|---------------------------------------------------------|-------------------------------------------------------------------------------------|
| Ceybank Asset Management Limited                        | Management of unit trust funds and other private portfolios                         |
| Lanka Securities (Private) Limited                      | Registered stock broker, engages in equity trading, debt trading and margin trading |
| Transnational Lanka Records Solutions (Private) Limited | Renting properties and real estates                                                 |
| Southern Development Financial Company Limited          | Not in operation and in the process of liquidation                                  |

There were no significant changes in the nature of principal activities of the Bank, subsidiaries and associates during the year under review. The Bank's stake of 40% in the associate company, Mireka Capital Land (Private) Limited was disposed during the year.

Southern Development Financial Company Limited (SDFCL) is not in operations. The Board of Directors of SDFCL has decided to wind up the Company and is in the process of liquidation.

## **2. Directors' Responsibility for Financial Statements**

### **2.1 Preparation and Presentation of the Financial Statements**

The Board of Directors is responsible for the preparation and presentation of the Financial Statements of the Bank and its Subsidiaries and Associates in compliance with the requirements of the Bank of Ceylon Ordinance No. 53 of 1938 and its amendments, Banking Act No. 30 of 1988 and its amendments thereto and Sri Lanka Accounting Standards.

### **2.2 Approval of Financial Statements**

The Financial Statements for the year ended 31 December 2016 were authorised for issue on 29 March 2017 by the Board of Directors.

## **3. Basis of Preparation**

### **3.1 Statement of Compliance**

The Consolidated Financial Statements of the Group and the separate Financial Statements of the Bank have been prepared in accordance with Sri Lanka Accounting Standards comprising of Sri Lanka Financial Reporting Standards (SLFRSs) and Sri Lanka Accounting Standards (LKASs) laid down by the Institute of Chartered Accountants of

Sri Lanka (together referred to as SLFRSs in these Financial Statements). The preparation and presentation of these Financial Statements are in compliance with the requirements of the Bank of Ceylon Ordinance, the Banking Act No. 30 of 1988 and the Companies Act No. 07 of 2007.

The Group has prepared Financial Statements which comply with SLFRSs applicable for the year ended 31 December 2016, together with the comparative year data as at and for the year ended 31 December 2015, as described in the accounting policies.

### **3.2 Basis of Measurement**

The Consolidated Financial Statements have been prepared on the basis of historical cost convention which has been applied in consistence basis, except for the following:

- Derivative financial instruments are measured at fair value
- Financial instruments held for trading are measured at fair value
- Available for sale financial investments are measured at fair value
- Owner occupied freehold land and buildings and buildings on leasehold lands are measured at revalued amount less any subsequent accumulated depreciation and impairment losses
- Defined benefit obligations are actuarially valued and recognised as the present value of the defined benefit obligation less total of the fair value of plan assets

No adjustments have been made for inflationary factors affecting the Financial Statements.

### **3.3 Functional and Presentation Currency**

Items included in the Consolidated Financial Statements are measured and presented in Sri Lankan Rupees ('LKR') which is the functional currency of the primary economic environment in which

the Bank operates. Except as otherwise indicated, financial information presented in LKR has been rounded to the nearest thousand except when otherwise indicated.

## **3.4 Presentation of Consolidated Financial Statements**

Items in the Financial Position of the Bank and the Group are grouped by nature of such item and present broadly in order of their relative liquidity and maturity pattern. An analysis regarding 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 Note 54.

Financial assets and financial liabilities are generally reported gross in the Consolidated Statement of Financial Position. They are only offset and reported net when, in addition to having an unconditional legally enforceable right to offset the recognised amounts without being contingent on a future event, the parties also intend to settle on a net basis in all of the following circumstances:

- The normal course of business
- The event of default
- The event of insolvency or bankruptcy of the Bank and/or its counterparties

Income and expenses are not offset in the Consolidated Statement of Profit or Loss unless required or permitted by any accounting standard or interpretation and as specifically disclosed in the accounting policies of the Group.

Consolidated Statement of Cash Flows has been prepared by using of 'Indirect Method' in accordance with LKAS 07 – 'Statement of Cash Flows', whereby the profit is adjusted to derive the cash flows from operating activities. Cash and cash equivalents comprise cash in hand, other short-term highly liquid investments with maturity less than seven days from date of acquisition and bank overdrafts.

### 3.5 Comparative Information

The comparative information is reclassified wherever necessary to conform to the current year's presentation.

### 3.6 Use of Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Consolidated Financial Statements requires management to exercise 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.

The judgments, estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances and reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and/or in future periods if the revision affects future periods too.

In the process of applying the Group's accounting policies, management has made the following judgments, estimates and assumptions, which have the most significant effect on the amounts recognised in the Consolidated Financial Statements.

#### 3.6.1 Going Concern

The management has made an assessment on the Group's ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the Financial Statements continue to be prepared on the going concern basis.

### 3.6.2 Commitment and Contingent Liabilities

All discernible risks are accounted for in determining the amount of all known and measurable 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 its occurrence is remote.

#### 3.6.3 Fair Value of Financial Instruments

When the fair value of financial assets and financial liabilities, recorded in the Statement of Financial Position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are taken from observable markets where possible, however, if such data are not available, a degree of judgment is exercised in establishing fair values which minimise the effect of use of unobservable inputs. The valuations of financial instruments are described comprehensively in Note 57.

#### 3.6.4 Impairment Losses on Loans and Advances

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. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

Loans and advances that have been assessed individually and found to be not impaired and all individually insignificant loans and advances are assessed

collectively, in groups of assets with similar risk characteristics, to determine whether provision should be made based on incurred loss events for which there is objective evidence, but the effects of which are not yet evident. The collective assessment takes account of data from the loan portfolio (such as loan type, levels of arrears etc.), and judgments on the effect of concentrations of risks and economic data (including levels of unemployment, real estate price indices, country risk and the performance of different individual groups). Details of Impairment losses on loans and advances are given in Note 26.

#### 3.6.5 Impairment of Available for Sale Investments

The Group reviews its debt securities classified as available for sale investments at each Reporting date to assess whether they are impaired.

The Group also records impairment charges on equity investments classified as available for sale when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is 'significant or prolonged' requires judgment. In making this judgment, the Group evaluates, among other factors, historical share price movements and duration and extent to which the fair value of an investment is less than its carrying value. Details of impairment of available for sale investments are given in Note 27.

#### 3.6.6 Impairment of Investment in Subsidiaries, Other Financial Assets and Non-Financial Assets

The Group and the Bank follow the guidance of LKAS 36 – 'Impairment of Assets' and LKAS 39 – 'Financial Instruments: Recognition and measurement' in determining whether an investment or a financial asset is impaired. Determination and identification of impairment indicators require the Group and the Bank to evaluate duration and extent to which the fair value of an investment for a financial asset



is less than its cost and the financial stability of the near term business outlook of the investment or the financial asset, considering the factors such as performance of the sector and industry, technology and operational environmental changes along with future cash flows. This process involves with significant judgment in aforesaid areas and details are given under respective notes.

### **3.6.7 Defined Benefit Obligation**

The cost of the defined benefit pension plans and other post employment benefit plans are determined using an actuarial valuation. An actuarial valuation involves making various assumptions determining the discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. All assumptions are reviewed at each Reporting date and assumptions used in the year are given in Note 44.

### **3.6.8 Fair Value of Land and Buildings**

The freehold land and buildings and the buildings on leasehold land of the Group are reflected at fair value. The Group engaged independent valuation specialists to determine fair value of such properties in terms of the SLFRS 13 – ‘Fair Value Measurement’. The details of valuation of freehold land and buildings and the buildings on leasehold land are given in Note 32.

### **3.6.9 Useful Life of the Property, Plant and Equipment and Intangible Assets**

The Group reviews the residual values, useful lives and methods of depreciation of Property, Plant and Equipment and intangible assets 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. The details of the depreciation methods and rates used for each assets category are given in Note 32.

### **3.6.10 Classification of Investment Properties**

Management is required to use its judgment to determine whether a property qualified as an investment property. 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, properties that are used for operations or for the process of providing services or for administration purposes and which do not directly generate cash flows as stand-alone assets are accounted as Property, Plant and Equipment.

### **3.6.11 Taxation**

The Group is subject to income tax, Value Added Tax (VAT) and Nation Building Tax (NBT) on financial services and other applicable taxes.

A judgment is required to determine the total provision for current, deferred and other taxes due to the uncertainties that exists with respect to the interpretation of the applicable tax laws at the time of preparing these Financial Statements. The details on the applicable tax rates and other information are given under Notes 17 and 35.

The Group is subject to transfer pricing regulations and it is necessitated using management judgment to determine the impact of transfer pricing regulations. Accordingly critical judgments and estimates were used in applying the regulations in aspects including but not limited to identifying associated undertakings, estimation of the respective arm’s length prices and selection of appropriate pricing mechanism. The current tax charge is subject to such judgments. Differences between estimated income tax charge and actual payable may arise as a result of management’s interpretation and application of transfer pricing regulation.

## **3.7 Materiality and Aggregation**

In compliance with LKAS 01 – ‘Presentation of Financial Statements’, each material class of similar items are presented separately in the Financial Statements. Items of dissimilar nature or functions are presented separately unless they are immaterial.

## **4. Significant Accounting Policies**

The significant accounting policies applied by the Bank and the Group in preparation of its Financial Statements are included below and have been consistently applied to all periods presented in these Financial Statements of the Group and the Bank, unless otherwise indicated.

### **4.1 Basis of Consolidation**

The Group’s Financial Statements comprise consolidation of the Financial Statements of the Bank and its subsidiaries in terms of the SLFRS 10 – Consolidated Financial Statements and LKAS 27 – Consolidated and Separate Financial Statements.

The Bank’s Financial Statements comprise the amalgamation of the Financial Statements of the Domestic Banking Unit, the Offshore Banking Unit and the international operations of the Bank.

The accounting policies pertaining to the consolidation of Subsidiaries and Associates are given in the Notes 29 and 30.

#### **4.1.1 Business Combinations**

Business combinations are accounted for using the acquisition method. As of the acquisition date, the amount of non-controlling interest is measured either at fair value or at the non-controlling interests’ proportionate share of the acquirer’s identifiable net assets.

Acquisition related cost are costs the acquirer incurs to effect a business combination. Those costs include finder's fees, advisory, legal, accounting, valuation and other professional consulting fees, general administrative costs, including the cost of maintaining an internal acquisition department and cost of registering and issuing debt and equity securities. Acquisition related costs, other than those associated with the issue of debt or equity securities are expensed in the periods in which the costs are incurred and the services are received.

The Group elects on a transaction by transaction basis whether to measure non-controlling interests 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.

#### **4.1.2 Loss of Control**

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, carrying amount of non-controlling interests and the cumulative translation differences recorded in equity related to the subsidiary. Further, the Bank's share of components previously recognised in Other Comprehensive Income (OCI) is reclassified to Profit or Loss or retained earnings as appropriate. Any surplus or deficit arising on the loss of control is recognised in the Profit or Loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or in accordance with the Group's accounting policy for financial instruments depending on the level of influence retained.

## **4.2 Foreign Currency Translations**

### **4.2.1 Foreign Currency Transactions and Balances**

Transactions in foreign currency are translated into the functional currency of the operation which is Sri Lankan Rupees (LKR) at the spot exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currency at the Reporting date are retranslated into the functional currency at the spot exchange rate at that date and all differences arising on non-trading activities are taken to 'other operating income' in the Statement of Profit or Loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the initial recognition.

Non-monetary assets and liabilities denominated in foreign currency that are measured at fair value are retranslated into the functional currency at the spot exchange rate at the date on which the fair value is determined. Foreign currency differences arising on retranslation are recognised in the Profit or Loss.

Forward exchange contracts are valued at the forward market rates ruling on the Reporting date and resulting net unrealised gains or losses are dealt with the profit or loss.

### **4.2.2 Foreign Operations**

The results and financial position of foreign operations, whose functional currencies are not Sri Lankan Rupees, are translated into Sri Lankan Rupees as follows.

The assets and liabilities of foreign operations are translated into Sri Lankan Rupees at spot exchange rates as at the Reporting date. The income and expenses of foreign operations are translated at monthly average rate for the year. Foreign currency differences

on the translation of foreign operations are recognised in Other Comprehensive Income (OCI).

When a foreign operation is disposed off, the relevant amount in the translation reserve is transferred to the profit or loss as part of the profit or loss on disposal in other operating income or other operating expenses.

## **4.3 Classification of Financial Instruments Between Debt and Equity**

Classification of financial instruments between debt and equity depends on following characteristics of such instruments:

- Name or labels given to the instruments
- Presence or absence of a fixed maturity date
- Life of the instrument
- Source of payments
- Right to enforce payments
- Rights to participate in management
- Risk involved in the instruments
- Volatility of cash flows
- Securities given as collaterals

## **4.4 Financial Assets and Financial Liabilities**

### **4.4.1 Classification of Financial Assets and Financial Liabilities**

The classification of financial assets and liabilities at initial recognition depends on their purpose, characteristics and the management's intention in acquiring them.

#### **4.4.1.1 At the Inception, the Financial Assets are Classified in One of the Following Categories:**

- Financial assets at fair value through profit or loss
  - Financial instruments – Held for trading (Note 24)
  - Financial assets designated through profit or loss

- Financial investments – Loans and receivables (Note 25)
- Financial investments – Available for sale (Note 27)
- Financial investments – Held to maturity (Note 28)

#### **4.4.1.2 At the Inception, the Financial Liabilities are Classified in One of the Following Categories:**

- Financial liabilities at fair value through profit or loss
  - Financial liabilities – Held for trading
  - Financial liabilities designated through profit or loss
- Financial liabilities – Amortised cost

#### **4.4.2 Date of Recognition**

All financial assets and liabilities are initially recognised on the settlement date, i.e., the date that the Group becomes a party to the contractual provisions of the instrument. This includes ‘regular way trades’. Regular way trade means 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.

#### **4.4.3 Initial Measurements of Financial Instruments**

Financial assets and liabilities are initially measured at their fair value plus transaction cost, except in the case of financial assets and liabilities recorded at fair value through profit or loss. Transaction cost in relation to financial assets and liabilities at fair value through profit or loss are dealt with in the Statement of Profit or Loss.

#### **4.4.4 ‘Day One’ 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

immediately recognises the difference between the transaction price and fair value (a ‘Day one’ profit or loss) in ‘Net trading income’. 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 over the life of the instrument.

#### **4.4.5 Financial Liabilities at Amortised Cost**

Financial instruments issued by the Group that are not designated at fair value through profit or loss, are classified as liabilities under ‘Due to banks’, ‘securities sold under repurchasing agreements’, ‘due to customers’, ‘other borrowings’, ‘debt securities issued’ or ‘subordinated term debts’ as appropriate, where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

After initial measurement, debt securities issued and other borrowings are subsequently measured at amortised cost using EIR. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of EIR.

#### **4.4.6 Reclassification of Financial Assets**

The Group does not reclassify any financial instrument into the ‘fair value through profit or loss’ category after initial recognition. Further, the Group does not reclassify any financial instrument out of the ‘fair value through profit or loss’ category if upon initial recognition it was designated as at fair value through profit or loss. The Group reclassifies non-derivative financial assets out of the ‘held for trading’ category and into the ‘available for

sale’, ‘loans and receivables’ or ‘held to maturity’ categories as permitted by the Sri Lanka Accounting Standard – LKAS 39 on ‘Financial Instruments: Recognition and Measurement’. Further, in certain circumstances, the Group is permitted to reclassify financial instruments out of the ‘available for sale’ category and into the ‘loans and receivables’ or ‘held to maturity’ category. Reclassifications are recorded at fair value at the date of reclassification, which becomes the new amortised cost.

For a financial asset reclassified out of the ‘available for sale’ category, any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the Effective Interest Rate (EIR). Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is recycled to the Statement of Profit or Loss.

The Group may reclassify a non-derivative trading asset out of the ‘held for trading’ category and into the ‘loans and receivables’ category if it meets the definition of loans and receivables and the Bank has the intention and ability to hold the financial asset for the foreseeable future or until maturity. If a financial asset is reclassified, and if the Bank subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognised as an adjustment to the EIR from the date of the change in estimate.

However sale or reclassification of a more than insignificant amount of HTM investments would result in the reclassification of all HTM investments as ‘available for sale’ and would prevent the Group from classifying any financial

asset as 'held to maturity' for the current and the following two financial years. However, sales and reclassifications in any of the following circumstances would not trigger a reclassification:

- Sales or reclassifications that are so close to maturity that changes in the market rate of interest would not have a significant effect on the financial assets' fair value
- Sales or reclassifications after the Group has collected substantially all of the assets' original principal
- Sales or reclassifications attributable to non-recurring isolated events beyond the Group's control that could not have been reasonably anticipated

Reclassification is at the election of management and is determined on an instrument by instrument basis.

#### **4.4.7 Derecognition**

##### **4.4.7.1 Derecognition of Financial Assets**

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial assets expire, or when it transfers the financial assets in a transaction in which substantially all the risks and rewards of ownership of the financial assets are transferred or in which the Group neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial assets.

Any interest in transferred financial assets that qualify for derecognition that are created or retained by the Group is recognised as a separate asset or liability in the Statement of Financial Position. On derecognition of financial assets, (i) the difference between the carrying amount of the assets (or the carrying amount allocated to the portion of the assets transferred) and the sum of the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in other comprehensive income is recognised in the profit or loss.

The Group enters into transactions whereby it transfers assets recognised on its Statement of Financial Position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions.

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to repurchase transactions as the Group retains all or substantially all the risks and rewards of ownership of such assets.

The transactions in which the Group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset and it retains control over the asset, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

In certain transactions the Group retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognised if it meets the derecognition criteria. An asset or liability is recognised for the servicing contract, depending on whether the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the service.

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 that the Group could be required to repay.

##### **4.4.7.2 Derecognition of Financial Liabilities**

A financial liability is derecognised when the obligation under the liability is discharged or 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 the Statement of Profit or Loss.

##### **4.4.8 Securities Sold under Repurchase Agreements and Securities Purchased under Resale Agreements**

Securities sold under agreements to repurchase at a specified future date are not derecognised from the Statement of Financial Position as the Group retains substantially all of the risks and rewards of ownership. The corresponding cash received is recognised in the Statement of Financial Position as an asset with a corresponding obligation to return it. The difference between the sale and repurchase prices is treated as interest expense and is accrued over the life of agreement using EIR.

Conversely, 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 'securities purchased under resale agreements', reflecting the transaction's economic substance as an advance granted by the Group. The difference between the purchase and resale price is recorded as 'Interest income' and is accrued over the life of the agreement using the EIR.

#### **4.4.9 Offsetting**

Financial assets and liabilities are offset and the net amount presented in the Statement of Financial Position when, and 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.

#### **4.4.10 Impairment of Assets**

##### **4.4.10.1 Impairment of Financial Assets**

At each Reporting date, the Group assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired, when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s) and that the loss event has an impact on the estimated future cash flows of the asset(s) that can be estimated reliably. Impairment details of financial investments – Loan and Receivable, Loans and Advances to customers, Financial investments – Available for sale and Held to maturity are given in Notes 25, 26, 27 and 28 respectively.

##### **4.4.10.2 Impairment of Non-Financial Assets**

The Bank assesses at each Reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Bank estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell or its value in use. Where the carrying amount of an asset exceeds

its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing the 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. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly-traded subsidiaries or other valuable fair value indicators.

#### **4.4.11 Fiduciary Services**

The Group provides fiduciary services that result in holding of the 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.

### **4.5 Provisions**

A provision is recognised as a result of a past event, when 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. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash outflows at a current pre tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

### **4.6 Income Tax Expense and Other Taxes**

#### **4.6.1 Income Tax Expense**

Income tax expense comprises current and deferred tax. More details are given in Note 17.

#### **4.6.2 Value Added Tax (VAT) on Financial Services**

The base for Value Added Tax computation is arrived by aggregating the accounting profit before income tax and emoluments of employees, which is adjusted for the depreciation computed on prescribed rates.

During the year, the Group's total value addition was subjected to 15% (2015 – 11%) VAT as per Section 25 (a) of the Value Added Tax Act No. 14 of 2002 and amendments thereto. Also the Group is following value attributable method to compute VAT on financial services.

#### **4.6.3 Withholding Tax (WHT) on Dividends**

- Withholding tax on dividends distributed by the Bank

No withholding tax is paid by the Bank since Bank distributes dividend to its single shareholder, the Government of Sri Lanka.

- Withholding tax on dividends distributed by the subsidiaries and associates

Dividend distributed out of taxable profit of the subsidiaries and associate companies attracts a 10% deduction at source and is not available for setoff against the tax liability of the Bank, since it is treated as a final tax. Thus, the withholding tax deducted at source is added to the tax expense in preparing the Consolidated Financial Statements as a consolidation adjustment.

#### **4.6.4 Economic Service Charge (ESC)**

As per provisions of the Economic Service Charge (ESC) Act No.13 of 2006 and amendments thereafter, ESC is payable at 0.25% on Bank's liable turnover and is deductible from income tax payable. With effect from 1 April 2012 as per the ESC amendment Act No.11 of 2012 ESC is payable only on exempted turnover of the Bank and is deductible

from income tax payable. ESC is not payable on turnover on which income tax is payable.

#### **4.6.5 Crop Insurance Levy (CIL)**

As per the provisions of the Section 15 of the Finance Act No. 12 of 2013, the CIL was introduced with effect from 1 April 2013 and is payable 1% of the profit after tax to the National Insurance Trust Fund Board.

#### **4.6.6 Nation Building Tax (NBT) on Financial Services**

NBT on financial services is calculated in accordance with Nation Building Tax (NBT) Act No. 9 of 2009 and subsequent amendments thereto with effect from 1 January 2014. NBT on financial services is calculated at 2% of the value addition used for the purpose of VAT on Financial Services.

### **5. Insurance Business**

#### **5.1 Reinsurance**

The Group cedes insurance risk in the normal course of business for all of its businesses. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract.

Reinsurance assets are reviewed for impairment at each Reporting date or more frequently when an indication of impairment arises during the Reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Group may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer. The impairment loss is recorded in the Statement of Profit or Loss.

The Group also assumes reinsurance risk in the normal course of business for life insurance and non-life insurance contracts where applicable. Premiums and claims on assumed reinsurance are recognised as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract.

Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance. Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

#### **5.2 Insurance Receivables**

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the Statement of Profit or Loss.

#### **5.3 Deferred Expenses**

##### **5.3.1 Deferred Acquisition Costs (DAC)**

The costs of acquiring new businesses including commission, underwriting, marketing and policy issue expenses, which vary with and directly related to production of new businesses and/or investment contracts with Discretionary Participation Features (DPF), are deferred to the extent that these costs are recoverable out of future premiums. All other acquisition costs are recognised as an expense when incurred. Subsequent to initial recognition, DAC for general

insurance is amortised over the period on the basis unearned premium is amortised. The reinsurers' share of deferred acquisition cost is amortised in the same manner as the underlying assets amortisation is recorded in the Statement of Profit or Loss.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the assets are accounted for by changing the amortisation period and are treated as a change in an accounting estimate. DAC are derecognised when the related contracts are either expired or cancelled.

#### **5.4 Reinsurance Commissions**

Commissions receivable on outwards reinsurance contracts are deferred and amortised.

#### **5.5 Investment Contract Liabilities**

Investment contracts are classified between contracts with and without DPF. The accounting policies for investment contract liabilities with DPF are the same as those for life insurance contract liabilities.

Investment contract liabilities without DPF are recognised when contracts are entered into and premiums are charged. These liabilities are initially recognised at fair value being the transaction price excluding any transaction costs directly attributable to the issue of the contract. Subsequent to initial recognition, investment contract liabilities are measured at fair value through profit or loss.

Deposits and withdrawals are recorded directly as an adjustment to the liability in the Statement of Financial Position. Fair value adjustments are performed at each Reporting date and are recognised in the Statement of Profit or Loss. Fair value is determined through the use of prospective discounted cash flow

techniques. For unithised contracts, fair value is calculated as the number of units allocated to the policyholder in each unit linked fund multiplied by the unit price of those funds at the Reporting date. The fund assets and fund liabilities used to determine the unit prices at the Reporting date are valued on a basis consistent with their measurement basis in the Statement of Financial Position adjusted to take account of the effect on the liabilities of the deferred tax on unrealised gains on assets in the fund.

Non-utilised contracts are subsequently carried at fair value, which is determined by using valuation techniques such as discounted cash flows and stochastic modeling. Models are validated, calibrated and periodically reviewed by an independent qualified person.

The liability is derecognised when the contract expires, is discharged or is cancelled. For a contract that can be cancelled by the policyholder, the fair value cannot be less than the surrender value. When contracts contain both a financial risk component and a significant insurance risk component and the cash flows from the two components are distinct and can be measured reliably, the underlying amounts are unbundled. Any premiums relating to the insurance risk component are accounted for on the same bases as insurance.

## 5.6 Discretionary Participation Features (DPF)

A DPF is a contractual right that gives holders of these contracts the right to receive as a supplement to guaranteed benefits, significant additional benefits which are based on the performance of the assets held within the DPF portfolio. Under the terms of the contract, surpluses in the DPF funds can be distributed to policyholders and shareholders on a 90/10 basis. The Group has the discretion over the amount and timing of the distribution of these surpluses to

policyholders. All DPF liabilities including unallocated surpluses, both guaranteed and discretionary, at annually are held within insurance or investment contract liabilities as appropriate.

## 5.7 Income Recognition

### 5.7.1 Gross Premiums

Gross recurring premiums on life and investment contracts with DPF are recognised as revenue when receivable from the policyholder. For single premium business, revenue is recognised on the date on which the policy is effective.

Gross general insurance written premiums comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the accounting period and are recognised on the date on which the policy commences.

### 5.7.2 Reinsurance Premiums

Gross reinsurance premiums on life and investment contracts are recognised as an expense when the date on which the policy is effective.

Gross general reinsurance premiums written comprise the total premiums payable for the whole cover provided by contracts entered into the period and are recognised on the date on which the policy incepts. Premiums include any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods.

Unearned reinsurance premiums are those proportions of premiums written in a year that relate to periods of risk after the Reporting date. Unearned reinsurance premiums are deferred over the term of the underlying direct insurance policies for risks attaching contracts and over the term of the reinsurance contract for losses occurring contracts.

## 5.8 Unearned Premium Reserve

Unearned premium reserve represents the portion of the premium written in the year but relating to the unexpired term of coverage. Unearned premiums are calculated on the 1/24th basis.

## 5.9 Benefits, Claims and Expenses Recognition

### 5.9.1 Gross Benefits and Claims

Gross benefits and claims for life insurance contracts and for investment contracts with DPF include the cost of all claims arising during the year including internal and external claims handling costs that are directly related to the processing and settlement of claims and policyholder bonuses declared on DPF contracts, as well as changes in the gross valuation of insurance and investment contract liabilities with DPF. Death claims and surrenders are recorded on the basis of notifications received. Maturities and annuity payments are recorded when due. Interim payments and surrenders are accounted at the time of settlement.

General insurance include all claims occurring during the year, whether reported or not, related internal and external claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years.

Claims expenses and liabilities for outstanding claims are recognised in respect of direct and inward reinsurance business. The liability covers claims reported but not yet paid, Incurred But Not Reported (IBNR) claims and the anticipated direct and indirect costs of settling those claims. Claims outstanding are assessed by review of individual claim files and estimating changes in the ultimate cost of settling claims. The provision in respect of IBNR is

actuarially valued on an annual basis to ensure a more realistic estimation of the future liability based on past experience and trends.

While the Directors consider that the provision for claims is fairly stated on the basis of information currently available, the ultimate liability will vary as a result of subsequent information and events. This may result in adjustment to the amounts provided. Such amounts are reflected in the Financial Statements for that period. The methods used and the estimates made are reviewed regularly.

## **6. New Accounting Standards Issued but not Effective as at the Reporting Date**

The following Sri Lanka Accounting Standards were issued by the Institute of Chartered Accountants of Sri Lanka which are not yet effective as at 31 December 2016. Accordingly these accounting standards have not been applied in the preparation of the Financial Statements for the year ended 31 December 2016.

### **(i) SLFRS 9 – Financial Instruments:**

In July 2014, the Institute of Chartered Accountants of Sri Lanka issued SLFRS 9 ‘Financial Instruments’ (on par with International Accounting Standards Board), the standard that will replace LKAS 39 ‘Financial Instruments – Recognition and measurement’ for annual periods beginning on or after 1 January 2018, with early adoption permitted. Currently the Bank is in the process to establish a multidisciplinary team (the Team) with members from its Risk, Finance and Operations teams to prepare for SLFRS 9 implementation (the Project). The Project is sponsored by the Chief Financial Officer and Chief Risk Officer.

The Project has clear individual work streams within two sub teams for classification and measurement and

impairment. The initial assessment and analysing stage was completed for impairment in 2016 and the sub teams are finalising the classification and measurement phase.

The Bank is about to commence the Diagnostic Phase (Impact Assessment Exercise) and expects following significant changes.

### **Impairment of financial assets**

SLFRS 9 will fundamentally change the loan loss impairment methodology. The standard will replace Incurred Loss Approach of LKAS 39 – ‘Financial Instruments – Recognition’ with a forward-looking Expected Credit Loss (ECL) Approach. The Bank will be required to record an allowance for expected losses for all loans and other debt financial assets not held at fair value through profit or loss, together with loan commitments and financial guarantee contracts.

In comparison to LKAS 39, the Bank expects the impairment charge under SLFRS 9 to be more volatile than under LKAS 39 and to result in an increase in the total level of current impairment allowances.

### **Classification and Measurement**

From a classification and measurement perspective, the new standard will require all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity’s business model for managing the assets and the instruments’ contractual cash flow characteristics. The LKAS 39 measurement categories will be replaced by: Fair Value through Profit or Loss (FVPL), Fair Value through Other Comprehensive Income (FVOCI) and amortised cost. The accounting for financial liabilities will largely be the same as the requirements of LKAS 39, except for the treatment of gains or losses arising from an entity’s own credit risk relating to liabilities designated at FVPL.

### **(ii) SLFRS 15 – Revenue from contracts with customers**

SLFRS 15 states the principles that an entity shall apply to report useful information to users of Financial Statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer.

SLFRS 15 introduces a five step approach for revenue recognition from contracts with customers and replaces all other currently applicable revenue standards and related interpretations.

SLFRS 15 will become effective on 1 January 2018, with early adoption is permitted. The impact on implementation of the above standard has not been quantified yet. However, the Group does not expect significant impact on its Financial Statements resulting from SLFRS 15.

### **(iii) SLFRS 16 – ‘Leases’**

SLFRS 16 eliminates the current dual accounting model for lessees which distinguishes between On-Balance Sheet finance leases and Off-Balance Sheet operating leases. Instead there will be a single On-Balance Sheet accounting model that is similar to current finance lease accounting. SLFRS 16 is effective for annual Reporting periods beginning on or after 1 January 2019.

The Group is assessing the potential impact on its Financial Statements resulting from the application of SLFRS 16.



## 7. Total Income

### Accounting Policy →

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group/Bank and the revenue can be reliably measured.

| For the year ended 31 December                          | Bank               |                    | Group              |                    |
|---------------------------------------------------------|--------------------|--------------------|--------------------|--------------------|
|                                                         | 2016<br>LKR '000   | 2015<br>LKR '000   | 2016<br>LKR '000   | 2015<br>LKR '000   |
| Interest income [Note 8.1]                              | 134,685,338        | 112,745,122        | 139,701,569        | 117,083,894        |
| Fee and commission income [Note 9.1]                    | 8,739,625          | 8,909,197          | 8,983,083          | 9,258,470          |
| Net gains/(losses) from trading [Note 10]               | 2,061,616          | 3,968,014          | 2,037,390          | 3,985,172          |
| Net gains/(losses) from financial investments [Note 11] | 273,881            | 610,336            | 312,273            | 641,918            |
| Other operating income [Note 12]                        | 8,360,912          | 5,269,140          | 8,666,910          | 7,014,896          |
| <b>Total income</b>                                     | <b>154,121,372</b> | <b>131,501,809</b> | <b>159,701,225</b> | <b>137,984,350</b> |

## 8. Net Interest Income

### Accounting Policy →

Interest income and expense are recognised in the Statement of Profit or Loss using the effective interest rate (EIR) method. The 'EIR' is the rate that exactly discounts the estimated future cash payments and receipts throughout the expected life of the financial asset or financial liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or financial liability. When calculating the EIR, the Group estimates future cash flows, considering all contractual terms of the financial instruments.

The calculation of the EIR includes transaction costs and fees paid or received that are an integral part of the EIR. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability. Once the financial asset is impaired, interest income is recognised based on the recoverable amount of such financial asset by using EIR.

Interest income and expense presented in the Statement of Profit or Loss include interest on;

- Financial assets and financial liabilities measured at amortised cost calculated using EIR method
- Financial instruments classified as held for trading
- Financial investments classified as available for sale

### 8.1 Interest Income

| For the year ended 31 December                | Bank               |                    | Group              |                    |
|-----------------------------------------------|--------------------|--------------------|--------------------|--------------------|
|                                               | 2016<br>LKR '000   | 2015<br>LKR '000   | 2016<br>LKR '000   | 2015<br>LKR '000   |
| Cash and cash equivalents                     | 464,027            | 1,577,768          | 560,812            | 1,648,187          |
| Placements with banks                         | 580,833            | 676,498            | 646,813            | 689,181            |
| Securities purchased under resale agreements  | 561,823            | 472,712            | 615,444            | 487,889            |
| Financial instruments – Held for trading      | 428,314            | 1,447,782          | 428,314            | 1,447,981          |
| Financial investments – Loans and receivables | 11,807,028         | 8,736,533          | 11,847,619         | 8,855,100          |
| Loans and advances to customers               | 93,898,806         | 75,540,575         | 98,376,809         | 79,446,154         |
| Financial investments – Available for sale    | 151,785            | 216,600            | 342,840            | 424,620            |
| Financial investments – Held to maturity      | 26,792,722         | 24,076,654         | 26,882,918         | 24,084,782         |
| <b>Total interest income</b>                  | <b>134,685,338</b> | <b>112,745,122</b> | <b>139,701,569</b> | <b>117,083,894</b> |

Interest income on loans and advances to customers includes interest on impaired loans LKR 441.5 million for the year 2016 (2015 – LKR 597.9 million).

## 8.2 Interest Expenses

| For the year ended 31 December              | Bank              |                   | Group             |                   |
|---------------------------------------------|-------------------|-------------------|-------------------|-------------------|
|                                             | 2016<br>LKR '000  | 2015<br>LKR '000  | 2016<br>LKR '000  | 2015<br>LKR '000  |
| Due to banks                                | 11,607            | 943               | 262,192           | 45,393            |
| Securities sold under repurchase agreements | 6,521,994         | 5,197,600         | 6,559,119         | 5,222,956         |
| Due to customers                            | 57,907,175        | 44,410,969        | 59,437,884        | 45,490,124        |
| Other borrowings                            | 11,716,862        | 11,773,456        | 11,663,625        | 11,948,832        |
| Debt securities issued                      | 1,365,604         | 1,496,632         | 2,026,725         | 2,188,809         |
| Subordinated term debts                     | 3,204,608         | 3,539,798         | 3,145,532         | 3,485,295         |
| <b>Total interest expenses</b>              | <b>80,727,850</b> | <b>66,419,398</b> | <b>83,095,077</b> | <b>68,381,409</b> |
| <b>Net interest income</b>                  | <b>53,957,488</b> | <b>46,325,724</b> | <b>56,606,492</b> | <b>48,702,485</b> |

## 8.3 Net Interest Income from Sri Lanka Government Securities

| For the year ended 31 December                                  | Bank              |                   | Group             |                   |
|-----------------------------------------------------------------|-------------------|-------------------|-------------------|-------------------|
|                                                                 | 2016<br>LKR '000  | 2015<br>LKR '000  | 2016<br>LKR '000  | 2015<br>LKR '000  |
| Interest income                                                 | 27,710,618        | 26,205,881        | 27,905,965        | 26,414,550        |
| Less: Interest expenses                                         | 6,521,994         | 5,197,600         | 6,559,119         | 5,222,956         |
| <b>Net interest income from Sri Lanka Government securities</b> | <b>21,188,624</b> | <b>21,008,281</b> | <b>21,346,846</b> | <b>21,191,594</b> |

## 8.4 Notional Tax Credit on Secondary Market Transactions

In terms of the Section 137 of the Inland Revenue Act No. 10 of 2006 and the amendments thereto, a company which derives interest income from the secondary market transactions in Government Securities would be entitled to a notional tax credit [being one ninth (1/9) of the net interest income], provided such interest income form a part of statutory income of the company for that year of assessment. Accordingly, the net interest earned by the Bank and the Group on secondary market transactions in Government Securities for the year has been grossed up in the Financial Statements and the resulting notional tax credit amounted to a sum of LKR 1,844.3 million (2015 – LKR 1,945.2 million) for the Bank and LKR 1,893.6 million (2015 – LKR 1,979.6 million) for the Group.

## 9. Net Fee and Commission Income

### Accounting Policy →

Fee and commission income comprises with the fee and commission earned by the Group, providing diverse range of services. Those can be divided into following three main categories.

- (i) **Fee and commission 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 commission income and private wealth and asset management fees, custody and other management and advisory fees.
- (ii) **Fee and commission income from providing transaction services and earned on the execution of a significant act**  
Fees and commission arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement/participation or negotiation of the 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 after fulfilling the corresponding criteria.

**(iii) Fee income forming an integral part of the corresponding financial instruments**

Fees that the Bank considers to be an integral part of the corresponding financial instruments include: loan origination fees, loan commitment fees for loans that are likely to be drawn down and other credit related fees. The recognition of these fees (together with any incremental costs) form an integral part of the corresponding financial instruments and are recognised as interest income through an adjustment to the EIR (as defined in Note 8.1 above). The exception is, when it is unlikely that a loan will be drawn down, the loan commitment fees are recognised as revenue on expiry. Loan commitments that are within the scope of LKAS 39 (i.e., are at a below market rate of interest, or are settled net) are accounted for as derivatives and measured at fair value through profit or loss.

Fees and commission expenses relating to transactions are expensed as the services are received and are recognised on an accrual basis.

### 9.1 Fee and Commission Income

| <i>For the year ended 31 December</i>  | Bank             |                  | Group            |                  |
|----------------------------------------|------------------|------------------|------------------|------------------|
|                                        | 2016             | 2015             | 2016             | 2015             |
|                                        | LKR '000         | LKR '000         | LKR '000         | LKR '000         |
| Trade services                         | 1,925,657        | 2,525,862        | 1,966,364        | 2,567,481        |
| Debit and credit cards                 | 2,061,285        | 1,691,302        | 2,061,285        | 1,691,302        |
| Travel and remittances services        | 833,768          | 724,126          | 833,769          | 724,125          |
| Custodial services                     | 57,183           | 88,722           | 57,183           | 88,722           |
| Retail banking services                | 1,988,554        | 2,030,174        | 1,988,553        | 2,030,173        |
| Guarantees and related services        | 1,313,247        | 1,113,815        | 1,314,382        | 1,114,769        |
| Other financial services               | 559,931          | 735,196          | 761,547          | 1,041,898        |
| <b>Total fee and commission income</b> | <b>8,739,625</b> | <b>8,909,197</b> | <b>8,983,083</b> | <b>9,258,470</b> |

### 9.2 Fee and Commission Expenses

| <i>For the year ended 31 December</i>    | Bank             |                  | Group            |                  |
|------------------------------------------|------------------|------------------|------------------|------------------|
|                                          | 2016             | 2015             | 2016             | 2015             |
|                                          | LKR '000         | LKR '000         | LKR '000         | LKR '000         |
| Trade services                           | 79,710           | 81,925           | 79,710           | 81,925           |
| Debit and credit cards                   | 1,100,633        | 837,499          | 1,100,633        | 837,498          |
| Travel and remittances                   | 93,857           | 78,601           | 93,857           | 78,600           |
| Retail banking services                  | 214,637          | 51,673           | 214,637          | 51,673           |
| Guarantees and related services          | 9,241            | 9,371            | 9,241            | 9,371            |
| Other financial services                 | 22,112           | 11,778           | 109,193          | 117,513          |
| <b>Total fee and commission expenses</b> | <b>1,520,190</b> | <b>1,070,847</b> | <b>1,607,271</b> | <b>1,176,580</b> |
| <b>Net fee and commission income</b>     | <b>7,219,435</b> | <b>7,838,350</b> | <b>7,375,812</b> | <b>8,081,890</b> |

## 10. Net Gains/(Losses) from Trading

### Accounting Policy →

Net gains/(losses) from trading comprise realised gains or losses from investment in equities and fixed income securities classified as held for trading and unrealised gains and losses due to changes in fair value of such instruments, foreign exchange gain or losses arising from trading activities, dividend income from trading equities and gains or losses arising from changes in fair value of derivative financial instruments.

Dividend income is recognised when the Group's right to receive the dividend is established.

| For the year ended 31 December               | Bank             |                  | Group            |                  |
|----------------------------------------------|------------------|------------------|------------------|------------------|
|                                              | 2016<br>LKR '000 | 2015<br>LKR '000 | 2016<br>LKR '000 | 2015<br>LKR '000 |
| Foreign exchange                             |                  |                  |                  |                  |
| From banks                                   | 6,959            | 1,435            | 24,561           | 1,848            |
| From other customers                         | 2,075,002        | 3,820,141        | 2,086,767        | 3,849,265        |
| Fixed income securities                      |                  |                  |                  |                  |
| Gains/(Losses) on marked to market valuation | 1,865            | (75,645)         | 1,865            | (75,645)         |
| Gains/(Losses) on sale                       | 405,122          | 291,317          | 405,122          | 291,317          |
| Equities                                     |                  |                  |                  |                  |
| Gains/(Losses) on marked to market valuation | (560,428)        | (199,135)        | (587,115)        | (254,471)        |
| Gains/(Losses) on sale                       | 19,422           | 18,574           | (20,611)         | 48,972           |
| Dividend income                              | 113,674          | 111,327          | 126,801          | 123,886          |
| <b>Net gains/(losses) from trading</b>       | <b>2,061,616</b> | <b>3,968,014</b> | <b>2,037,390</b> | <b>3,985,172</b> |

## 11. Net Gains/(Losses) from Financial Investments

### Accounting Policy →

Net gains/(losses) from financial investments include profit or loss on sale of financial investments and dividend income of financial investments classified as available for sale. Dividend income is recognised when the Group's right to receive the dividend is established.

| For the year ended 31 December                       | Bank             |                  | Group            |                  |
|------------------------------------------------------|------------------|------------------|------------------|------------------|
|                                                      | 2016<br>LKR '000 | 2015<br>LKR '000 | 2016<br>LKR '000 | 2015<br>LKR '000 |
| Financial investments – Available for sale           |                  |                  |                  |                  |
| Gains/(Losses) on sale of Government securities      | 107,708          | 91,851           | 107,708          | 91,851           |
| Dividend income                                      | 166,173          | 518,485          | 204,565          | 550,067          |
| <b>Net gains/(losses) from financial investments</b> | <b>273,881</b>   | <b>610,336</b>   | <b>312,273</b>   | <b>641,918</b>   |

## **12. Other Operating Income**

Accounting Policy →

### **Dividend Income**

Dividend income from subsidiaries and associates is recognised when the Bank's right to receive the dividend is established.

### **Gains/(Losses) from Disposal of Non-Financial Assets**

Net gains or losses arising from the disposal of Property, Plant and Equipment and other non-current assets including investments in subsidiaries and associates are accounted for in the Statement of Profit or Loss after deducting the carrying amount of such assets and the related selling expenses from the proceeds on disposal.

### **Foreign Exchange Income**

Foreign currency positions are revalued at each Reporting date. Gains/(Losses) arising from changes in fair value are included in the Statement of Profit or Loss in the period in which they arise.

### **Rental Income**

Rental income is recognised on an accrual basis. This includes rent recovered from the Bank's premises, quarters, safety lockers, and lease rent recovered from branch premises etc.

### **Service Income**

Service income is recognised on an accrual basis and includes income earned through documentation charges recovered from loans and leases, CRIB charges, legal fees, correspondent banking services charges and CITs and automated cheque clearing charges etc.

### **Gross Insurance Premium**

Gross recurring premiums on life and investment contracts with Discretionary Participation Features (DPF) are recognised as revenue when receivable from the policyholder. For single premium business, revenue is recognised on the date on which the policy is effective.

Gross general insurance written premiums comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the accounting period and are recognised on the date on which the policy commences.

| For the year ended 31 December                          | Bank             |                  | Group            |                  |
|---------------------------------------------------------|------------------|------------------|------------------|------------------|
|                                                         | 2016<br>LKR '000 | 2015<br>LKR '000 | 2016<br>LKR '000 | 2015<br>LKR '000 |
| Dividend income from subsidiaries and associates        | 1,102,158        | 259,048          | –                | –                |
| Gains from disposal of non-financial assets*            | 3,130,000        | –                | 2,378,666        | –                |
| Gains/(Losses) on revaluation of foreign exchange       | 1,069,579        | 2,311,271        | 1,069,579        | 2,311,271        |
| Gains/(Losses) on sale of Property, Plant and Equipment | 51,643           | 527              | 87,249           | (9,173)          |
| Gains/(Losses) on sale of foreclosed properties         | 19,052           | 202,900          | 19,052           | 202,900          |
| Recovery of loans written off                           | 34,033           | 41,072           | 46,588           | 57,472           |
| Rental income                                           | 231,326          | 194,733          | 298,791          | 266,321          |
| Service income                                          | 2,143,545        | 1,944,284        | 2,611,013        | 2,466,311        |
| Profit from sale of gold bullion                        | 13,025           | 13,779           | 13,025           | 13,779           |
| Miscellaneous income                                    | 414,154          | 202,291          | 750,785          | 282,422          |
| Gross insurance premium                                 | –                | –                | 1,239,765        | 1,324,358        |
| Net income from Islamic banking [Note 12.1]             | 152,397          | 99,235           | 152,397          | 99,235           |
| <b>Total other operating income</b>                     | <b>8,360,912</b> | <b>5,269,140</b> | <b>8,666,910</b> | <b>7,014,896</b> |

\*Gains from disposal of non-financial assets include gain on disposal of Mireka Capital Land (Private) Limited, an associate company of the Bank.

## 12.1 Net Income from Islamic Banking

| For the year ended 31 December         | Bank/Group       |                  |
|----------------------------------------|------------------|------------------|
|                                        | 2016<br>LKR '000 | 2015<br>LKR '000 |
| Income from Islamic banking operations | 252,846          | 161,119          |
| Less: Profit paid to investors         | 100,449          | 61,884           |
| <b>Net income from Islamic banking</b> | <b>152,397</b>   | <b>99,235</b>    |

## 13. Impairment Charge/(Reversal) for Loans and Other Losses

### Accounting Policy →

The Bank and Group recognise the changes in the impairment provisions for loans and advances, which are assessed as per Sri Lanka Accounting Standard – LKAS 39 on 'Financial Instruments: Recognition and Measurement'. Details are given under loans and advances to customers (Note 26). Further, the Bank/Group recognises an impairment loss when the carrying amount of a non-financial asset exceeds the estimated recoverable amount from that asset as per Sri Lanka Accounting Standard – LKAS 36 on 'Impairment of Assets'.

| For the year ended 31 December                                 | Bank             |                  | Group            |                  |
|----------------------------------------------------------------|------------------|------------------|------------------|------------------|
|                                                                | 2016<br>LKR '000 | 2015<br>LKR '000 | 2016<br>LKR '000 | 2015<br>LKR '000 |
| Individual impairment for loans and advances [Note 13.1]       | 6,685,680        | 2,155,069        | 6,765,378        | 2,502,677        |
| Collective impairment for loans and advances                   | (2,288,919)      | 3,748,734        | (2,344,378)      | 3,863,277        |
| <b>Net impairment charge/(reversal) for loans and advances</b> | <b>4,396,761</b> | <b>5,903,803</b> | <b>4,421,000</b> | <b>6,365,954</b> |

### 13.1 Individual Impairment for Loans and Advances

| For the year ended 31 December                                     | Bank             |                  | Group            |                  |
|--------------------------------------------------------------------|------------------|------------------|------------------|------------------|
|                                                                    | 2016             | 2015             | 2016             | 2015             |
|                                                                    | LKR '000         | LKR '000         | LKR '000         | LKR '000         |
| Impairment charge during the year                                  | 9,209,538        | 3,780,695        | 9,289,236        | 4,128,303        |
| Less: Amount reversed or recovered during the year                 | 2,523,858        | 1,625,626        | 2,523,858        | 1,625,626        |
| <b>Net individual impairment charge/(reversal) during the year</b> | <b>6,685,680</b> | <b>2,155,069</b> | <b>6,765,378</b> | <b>2,502,677</b> |

## 14. Personnel Expenses

### Accounting Policy →

Personnel expenses include staff emoluments, contribution to defined contribution/benefit plans and other related expenses. 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, 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.

Employees are eligible for contribution to defined contribution/benefit plans in accordance with the respective internal and external statutes and regulations.

Defined benefit plan contributions and provisions for accumulated leave are recognised in the Statement of Profit or Loss based on actuarial valuations carried out in accordance with Sri Lanka Accounting Standard – LKAS 19 on ‘Employee Benefits’.

| For the year ended 31 December                          | Bank              |                   | Group             |                   |
|---------------------------------------------------------|-------------------|-------------------|-------------------|-------------------|
|                                                         | 2016              | 2015              | 2016              | 2015              |
|                                                         | LKR '000          | LKR '000          | LKR '000          | LKR '000          |
| Staff emoluments                                        | 12,679,264        | 12,282,251        | 13,888,137        | 13,379,110        |
| Contributions to defined contribution plans [Note 14.1] | 1,043,376         | 1,064,444         | 1,170,963         | 1,174,290         |
| Contributions to defined benefit plans [Note 14.2]      | 1,188,793         | 524,907           | 1,250,027         | 591,330           |
| Other personnel expenses                                | 1,932,998         | 2,872,594         | 2,100,202         | 3,013,338         |
| <b>Total personnel expenses</b>                         | <b>16,844,431</b> | <b>16,744,196</b> | <b>18,409,329</b> | <b>18,158,068</b> |

### 14.1 Contributions to Defined Contribution Plans

A Defined Contribution Plan (DCP) is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an expense in the Statement of Profit or Loss when they are due in respect of service rendered before the end of the Reporting period. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a DCP that is due more than 12 months after the end of the Reporting period in which the employees render the service are discounted to their present value at the Reporting date.

## Bank of Ceylon Provident Fund

All employees of the Bank are members of the 'Bank of Ceylon Provident Fund' to which the Bank contributes 12% of employees' monthly gross salary while employees contribute 8%. The Bank's Provident Fund is an approved fund, which is independently administered.

## Employees' Provident Fund

The subsidiaries and their employees (other than Bank of Ceylon and its employees) contribute 12% (15% by Property Development PLC) and 8% (10% by Property Development PLC's employees) respectively on monthly gross salary of each employee to Employees' Provident Fund, in terms of the Employees' Provident Fund Act No. 15 of 1958 as amended.

## Employees' Trust Fund

All employees of the Bank and its subsidiaries are members of the Employees' Trust Fund to which the Bank and the Group contributes 3% of the employee's monthly gross salary, in terms of Employees' Trust Fund Act No. 46 of 1980.

| For the year ended 31 December                           | Bank             |                  | Group            |                  |
|----------------------------------------------------------|------------------|------------------|------------------|------------------|
|                                                          | 2016<br>LKR '000 | 2015<br>LKR '000 | 2016<br>LKR '000 | 2015<br>LKR '000 |
| <b>Employers' Contribution to:</b>                       |                  |                  |                  |                  |
| Bank of Ceylon/Employees' Provident Funds                | 836,910          | 851,848          | 939,617          | 940,311          |
| Employees' Trust Fund                                    | 206,466          | 212,596          | 231,346          | 233,979          |
| <b>Total contributions to defined contribution plans</b> | <b>1,043,376</b> | <b>1,064,444</b> | <b>1,170,963</b> | <b>1,174,290</b> |

## 14.2 Contributions to Defined Benefit Plans

A Defined Benefit Plan (DBP) is a post-employment benefit plan other than a DCP. The Group's net obligation in respect of DBP is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods and discounting that benefit to determine its present value and then deducting the fair value of any plan assets. The discount rate is the yield at the Reporting date on long-term treasury bond rate for discount rates actually used that have maturity dates approximating the terms of the Group's obligations. The calculation is performed by a qualified Actuary using the Projected Unit Credit method.

The Group recognises all actuarial gains and losses arising from DBP in the OCI and the expenses related to DBP under personnel expenses in the Statement of Profit or Loss. Details of defined benefit plans are given in 'Employee retirement benefit plans' (Note 44).

| For the year ended 31 December                                           | Bank             |                  | Group            |                  |
|--------------------------------------------------------------------------|------------------|------------------|------------------|------------------|
|                                                                          | 2016<br>LKR '000 | 2015<br>LKR '000 | 2016<br>LKR '000 | 2015<br>LKR '000 |
| <b>Employers' Contribution to:</b>                                       |                  |                  |                  |                  |
| Bank of Ceylon Pension Trust Fund [Note 44.1.1]                          | 619,988          | 772,703          | 619,988          | 772,703          |
| Bank of Ceylon Widows'/Widowers' and Orphans' Pension Fund [Note 44.2.1] | (369,423)        | (274,158)        | (369,423)        | (274,158)        |
| Terminal gratuity [Note 44.3]                                            | 23,263           | 26,362           | 77,425           | 86,340           |
| Bank of Ceylon Pension Fund – 2014 [Note 44.4.1]                         | 699,789          | –                | 699,789          | –                |
| Provision for encashment of medical leave                                | 215,176          | –                | 215,176          | –                |
| Pension fund – Bank of Ceylon (UK) Limited                               | –                | –                | 7,072            | 6,445            |
| <b>Total contributions to defined benefit plans</b>                      | <b>1,188,793</b> | <b>524,907</b>   | <b>1,250,027</b> | <b>591,330</b>   |



## 15. Other Expenses

### Accounting Policy →

Other expenses have been recognised in the Statement of Profit or Loss as they are incurred in the period to which they relate. All expenditure incurred in the operation of the business and in maintaining the capital assets in a state of efficiency has been charged to revenue in arriving at the Group's profit for the year. Provisions in respect of other expenses are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

### Deposit Insurance Premium

As per the Sri Lanka Deposit Insurance and Liquidity Support Scheme introduced under the Banking Act Direction No. 05 of 2010, the Bank is required to make quarterly payments of 0.1% or 0.125% on the eligible deposit liabilities, from 1 October 2010. The premium rate depends on the Capital Adequacy Ratio (CAR) of the immediate preceding Audited Financial Statements.

### Reinsurance Premium, Claims and Other Benefits

Gross benefits and claims for life insurance contracts and for investment contracts with Discretionary Participation Features (DPF) include the cost of all claims arising during the year including internal and external claims handling costs that are directly related to the processing and settlement of claims and policyholder bonuses declared on DPF contracts, as well as changes in the gross valuation of insurance and investment contract liabilities with DPF. Death claims and surrenders are recorded on the basis of notifications received. Maturities and annuity payments are recorded when due. Interim payments and surrenders are accounted at the time of settlement.

General insurance include all claims occurring during the year, whether reported or not, related internal and external claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years.

Claims expenses and liabilities for outstanding claims are recognised in respect of direct and inward reinsurance business. The liability covers claims reported but not yet paid, Incurred But Not Reported (IBNR) claims and the anticipated direct and indirect costs of settling those claims. Claims outstanding are assessed by review of individual claim files and estimating changes in the ultimate cost of settling claims. The provision in respect of IBNR is actuarially valued on an annual basis to ensure a more realistic estimation of the future liability based on past experience and trends.

While the Directors consider that the provision for claims is fairly stated on the basis of information currently available, the ultimate liability will vary as a result of subsequent information and events. This may result in adjustment to the amounts provided. Such amounts are reflected in the Financial Statements for that period. The methods used and the estimates made are reviewed regularly.

Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract.

| For the year ended 31 December                   | Bank              |                   | Group             |                   |
|--------------------------------------------------|-------------------|-------------------|-------------------|-------------------|
|                                                  | 2016<br>LKR '000  | 2015<br>LKR '000  | 2016<br>LKR '000  | 2015<br>LKR '000  |
| Directors' emoluments                            | 7,055             | 5,165             | 14,348            | 19,648            |
| Auditors' remuneration                           |                   |                   |                   |                   |
| Audit fees                                       | 17,767            | 21,132            | 28,391            | 33,141            |
| Non-audit fees                                   | –                 | –                 | 1,301             | 270               |
| Deposit insurance premium                        | 1,280,587         | 1,083,717         | 1,304,401         | 1,101,786         |
| Professional and legal expenses                  | 143,182           | 603,030           | 198,417           | 648,714           |
| Depreciation of investment properties            | –                 | –                 | 2,961             | 3,036             |
| Depreciation of Property, Plant and Equipment    | 1,263,914         | 1,196,066         | 1,758,041         | 1,637,836         |
| Amortisation of leasehold properties             | 2,814             | 2,814             | 4,175             | 4,171             |
| Amortisation of intangible assets                | 186,468           | 191,855           | 234,727           | 240,019           |
| Fixed assets maintenance expenses                | 4,124,359         | 3,308,842         | 3,707,238         | 2,965,837         |
| Fair value adjustment on gold in hand            | 1,733,508         | 1,438,956         | 1,733,508         | 1,438,956         |
| Reinsurance premium, claims and other benefits   | –                 | –                 | 1,114,074         | 1,190,759         |
| Office administration and establishment expenses | 4,418,852         | 3,417,348         | 5,636,207         | 4,362,144         |
| <b>Total other expenses</b>                      | <b>13,178,506</b> | <b>11,268,925</b> | <b>15,737,789</b> | <b>13,646,317</b> |

## 16. Share of Profits/(Losses) of Associate Companies, Net of Tax

The aggregate of the Group's share of profits or losses of associates is shown on the face of the Statement of Profit or Loss under the equity method of accounting.

| For the year ended 31 December                                            | Group            |                  |
|---------------------------------------------------------------------------|------------------|------------------|
|                                                                           | 2016<br>LKR '000 | 2015<br>LKR '000 |
| Ceybank Asset Management Limited                                          | 30,156           | 34,814           |
| Lanka Securities (Private) Limited                                        | (8,885)          | 7,951            |
| Mireka Capital Land (Private) Limited                                     | 21,148           | 38,221           |
| Transnational Lanka Records Solutions (Private) Limited                   | 20,533           | 12,604           |
| <b>Total share of profits/(losses) of associate companies, net of tax</b> | <b>62,952</b>    | <b>93,590</b>    |

## 17. Income Tax Expense

Current tax and deferred tax are recognised in the Profit or Loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income. Current tax is the expected tax payable or receivable on the taxable income for the year, using tax rates enacted or substantively enacted at the Reporting date and any adjustment to tax payable in respect of previous years.

### 17.1 Components of Income Tax Expense

| For the year ended 31 December              | Bank             |                  | Group            |                  |
|---------------------------------------------|------------------|------------------|------------------|------------------|
|                                             | 2016<br>LKR '000 | 2015<br>LKR '000 | 2016<br>LKR '000 | 2015<br>LKR '000 |
| <b>Current Tax Expense</b>                  |                  |                  |                  |                  |
| Income tax on profit for the year           | 5,495,446        | 7,016,389        | 5,877,192        | 7,235,394        |
| Adjustments in respect of prior years       | 956,808          | 934,978          | 953,463          | 941,951          |
| <b>Deferred Tax Expense</b>                 |                  |                  |                  |                  |
| Charge/(Reversal) of deferred tax [Note 35] | (54,565)         | (29,890)         | (99,550)         | (88,064)         |
| <b>Income tax expense for the year</b>      | <b>6,397,689</b> | <b>7,921,477</b> | <b>6,731,105</b> | <b>8,089,281</b> |

## 17.2 Reconciliation of Accounting Profit and Income Tax Expense

| For the year ended 31 December                        | Bank              |                   | Group             |                   |
|-------------------------------------------------------|-------------------|-------------------|-------------------|-------------------|
|                                                       | 2016<br>LKR '000  | 2015<br>LKR '000  | 2016<br>LKR '000  | 2015<br>LKR '000  |
| Accounting profit before income tax                   | 31,188,685        | 25,278,915        | 30,117,032        | 25,476,668        |
| Add: Dividend income from subsidiaries and associates | –                 | –                 | 1,102,158         | 259,048           |
|                                                       | <b>31,188,685</b> | <b>25,278,915</b> | <b>31,219,190</b> | <b>25,735,716</b> |
| Add: Disallowable expenses                            | 12,188,589        | 35,842,327        | 14,845,661        | 38,217,663        |
|                                                       | <b>43,377,274</b> | <b>61,121,242</b> | <b>46,064,851</b> | <b>63,953,379</b> |
| Less: Allowable expenses                              | 4,900,759         | 25,071,145        | 6,606,075         | 26,950,234        |
| Less: Tax exempt income                               | 21,889,267        | 13,296,391        | 21,941,912        | 13,564,315        |
| <b>Taxable income</b>                                 | <b>16,587,248</b> | <b>22,753,706</b> | <b>17,516,864</b> | <b>23,438,830</b> |
| <b>Current tax at rate of 28% (2015 – 28%)</b>        | <b>4,644,429</b>  | <b>6,371,038</b>  | <b>4,904,722</b>  | <b>6,562,872</b>  |
| Effect of different tax rates in the Group            | –                 | –                 | 7,803             | 54                |
| Effect of different tax rates in other countries      | 851,017           | 645,351           | 851,017           | 645,351           |
| 10% withholding tax on inter company dividends        | –                 | –                 | 113,650           | 27,117            |
| Adjustments in respect of prior years                 | 956,808           | 934,978           | 953,463           | 941,951           |
| Charge/(Reversal) of deferred tax [Note 35]           | (54,565)          | (29,890)          | (99,550)          | (88,064)          |
| <b>Income tax expense for the year</b>                | <b>6,397,689</b>  | <b>7,921,477</b>  | <b>6,731,105</b>  | <b>8,089,281</b>  |
| The effective income tax rate (%)                     | 20.5              | 31.3              | 22.3              | 31.8              |

**17.3** The tax liabilities of resident companies are computed at the standard rate of 28%, except following Bank operations and companies which enjoy full or partial exemptions and concessions.

| For the year ended 31 December                    | 2016<br>% | 2015<br>% |
|---------------------------------------------------|-----------|-----------|
| <b>Tax Rates Applicable on Local Operations</b>   |           |           |
| BOC Travels (Private) Limited                     | 12        | 12        |
| Hotels Colombo (1963) Limited                     | 12        | 12        |
| Ceybank Holiday Homes (Private) Limited           | 12        | 12        |
| Koladeniya Hydropower (Private) Limited*          | Nil       | Nil       |
| <b>Tax Rates Applicable on Foreign Operations</b> |           |           |
| Banking operations in Male                        | 25        | 25        |
| Banking operations in Chennai                     | 40        | 40        |
| Banking operation in Seychelles                   |           |           |
| Up to SCR 1,000,000                               | 25        | 25        |
| Balance                                           | 33        | 33        |
| Bank of Ceylon (UK) Limited                       | 20        | 20        |

\*In accordance with the agreement with the Board of Investment of Sri Lanka (BOI), Koladeniya Hydropower (Private) Limited is entitled to a tax exemption period of five years from the year in which the company commences to make profits or not later than two years from the date of commencement of commercial operations, whichever is earlier, after the tax exemption period, the Company will be liable to tax at a concessionary rate of 10% for 2 years and at 20% thereafter. Provided the Company makes the minimum capital investment of USD 2.07 million or its equivalent in Sri Lankan Rupees within a period of two years from the date of agreement. The Company has complied with minimum capital investment criteria and therefore is entitled to five years tax exemption commencing from 1 January 2012. However, according to Section 59 (e) of the Inland Revenue Act, the Company can opt to pay income tax at the rate of 10% after two years from the expiration of tax exemption period.

## 18. Earnings Per Share and Dividend Per Share

### 18.1 Basic Earnings Per Share

In accordance with the Sri Lanka Accounting Standard – LKAS 33 on ‘Earnings Per Share’, basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank (the numerator) by the weighted average number of ordinary shares in issue (the denominator) during the year.

| For the year ended 31 December                                     | Bank       |            | Group      |            |
|--------------------------------------------------------------------|------------|------------|------------|------------|
|                                                                    | 2016       | 2015       | 2016       | 2015       |
| Profit attributable to ordinary shareholder of the Bank (LKR '000) | 24,790,996 | 17,357,438 | 23,496,656 | 17,376,077 |
| Weighted average number of ordinary shares in issue [Note 18.1.1]  | 10,000,000 | 7,123,288  | 10,000,000 | 7,123,288  |
| Basic earnings per share (LKR)                                     | 2,479.10   | 2,436.72   | 2,349.67   | 2,439.33   |

#### 18.1.1 Weighted Average Number of Ordinary Shares in Issue

|                                                                       | Bank       |           | Group      |           |
|-----------------------------------------------------------------------|------------|-----------|------------|-----------|
|                                                                       | 2016       | 2015      | 2016       | 2015      |
| Number of ordinary shares in issue as at 1 January                    | 10,000,000 | 5,000,000 | 10,000,000 | 5,000,000 |
| Weighted average number of ordinary shares issued during the year     | –          | 2,123,288 | –          | 2,123,288 |
| Weighted average number of ordinary shares in issue as at 31 December | 10,000,000 | 7,123,288 | 10,000,000 | 7,123,288 |

### 18.2 Diluted Earnings Per Share

Diluted earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholder of the Bank (the numerator) by the weighted average number of ordinary shares in issue during the year after adjusting for effect of all dilutive potential ordinary shares (the denominator).

| For the year ended 31 December                                                        | Bank       |            | Group      |            |
|---------------------------------------------------------------------------------------|------------|------------|------------|------------|
|                                                                                       | 2016       | 2015       | 2016       | 2015       |
| Profit attributable to ordinary shareholder of the Bank (LKR '000)                    | 24,790,996 | 17,357,438 | 23,496,656 | 17,376,077 |
| Weighted average number of ordinary shares after adjusting for dilution [Note 18.2.1] | 10,164,384 | 10,000,000 | 10,164,384 | 10,000,000 |
| Diluted earnings per share (LKR)                                                      | 2,439.01   | 1,735.74   | 2,311.67   | 1,737.61   |

#### 18.2.1 Weighted Average Number of Ordinary Shares After Adjusting for Dilution

| For the year ended 31 December                                                               | Bank       |            | Group      |            |
|----------------------------------------------------------------------------------------------|------------|------------|------------|------------|
|                                                                                              | 2016       | 2015       | 2016       | 2015       |
| Weighted average number of ordinary shares in issue                                          | 10,000,000 | 7,123,288  | 10,000,000 | 7,123,288  |
| Weighted average number of potential ordinary shares under pending allotment during the year | 164,384    | 2,876,712  | 164,384    | 2,876,712  |
| Weighted average number of ordinary shares after adjusting for dilution                      | 10,164,384 | 10,000,000 | 10,164,384 | 10,000,000 |

## 18.3 Dividend Per Share

Dividend per share is calculated by dividing the total dividend allocated to shareholder (the numerator) by the weighted average number of ordinary shares in issue (the denominator) during the year.

| For the year ended 31 December                                     | Bank       |           | Group      |           |
|--------------------------------------------------------------------|------------|-----------|------------|-----------|
|                                                                    | 2016       | 2015      | 2016       | 2015      |
| Total dividend allocated to shareholder during the year (LKR '000) | 17,346,410 | 6,346,410 | 17,346,410 | 6,346,410 |
| Weighted average number of ordinary shares in issue [Note 18.1.1]  | 10,000,000 | 7,123,288 | 10,000,000 | 7,123,288 |
| Dividend per share (LKR)                                           | 1,734.64   | 890.94    | 1,734.64   | 890.94    |

## 19. Analysis of Financial Instruments by Measurement Basis

All financial assets and liabilities are measured under the following headings as per the LKAS 39 – 'Financial Instruments: Recognition and Measurement'.

### 19.1 Bank

| As at 31 December                             | 2016                         |                              |                            |                                |                      |
|-----------------------------------------------|------------------------------|------------------------------|----------------------------|--------------------------------|----------------------|
|                                               | Held for Trading<br>LKR '000 | Held to Maturity<br>LKR '000 | Amortised cost<br>LKR '000 | Available for Sale<br>LKR '000 | Total<br>LKR '000    |
| <b>Financial Assets</b>                       |                              |                              |                            |                                |                      |
| Cash and cash equivalents                     | –                            | –                            | 67,705,791                 | –                              | 67,705,791           |
| Balances with Central Banks                   | –                            | –                            | 56,387,741                 | –                              | 56,387,741           |
| Placements with banks                         | –                            | –                            | 11,674,664                 | –                              | 11,674,664           |
| Securities purchased under resale agreements  | –                            | –                            | 1,901,618                  | –                              | 1,901,618            |
| Derivative financial instruments              | 5,300,844                    | –                            | –                          | –                              | 5,300,844            |
| Financial instruments – Held for trading      | 8,474,041                    | –                            | –                          | –                              | 8,474,041            |
| Financial investments – Loans and receivables | –                            | –                            | 191,874,638                | –                              | 191,874,638          |
| Loans and advances to customers               | –                            | –                            | 1,000,082,574              | –                              | 1,000,082,574        |
| Financial investments – Available for sale    | –                            | –                            | –                          | 10,463,046                     | 10,463,046           |
| Financial investments – Held to maturity      | –                            | 243,178,400                  | –                          | –                              | 243,178,400          |
| <b>Total financial assets</b>                 | <b>13,774,885</b>            | <b>243,178,400</b>           | <b>1,329,627,026</b>       | <b>10,463,046</b>              | <b>1,597,043,357</b> |

| As at 31 December                           | 2016                         |                            |                      |
|---------------------------------------------|------------------------------|----------------------------|----------------------|
|                                             | Held for Trading<br>LKR '000 | Amortised cost<br>LKR '000 | Total<br>LKR '000    |
| <b>Financial Liabilities</b>                |                              |                            |                      |
| Due to banks                                | –                            | 2,042,322                  | 2,042,322            |
| Securities sold under repurchase agreements | –                            | 59,424,629                 | 59,424,629           |
| Derivative financial instruments            | 171,663                      | –                          | 171,663              |
| Due to customers                            | –                            | 1,256,589,490              | 1,256,589,490        |
| Other borrowings                            | –                            | 195,469,853                | 195,469,853          |
| Debt securities issued                      | –                            | 3,427,058                  | 3,427,058            |
| Subordinated term debts                     | –                            | 38,645,546                 | 38,645,546           |
| <b>Total financial liabilities</b>          | <b>171,663</b>               | <b>1,555,598,898</b>       | <b>1,555,770,561</b> |

| As at 31 December                             | 2015                         |                              |                            |                                |                      |
|-----------------------------------------------|------------------------------|------------------------------|----------------------------|--------------------------------|----------------------|
|                                               | Held for Trading<br>LKR '000 | Held to Maturity<br>LKR '000 | Amortised cost<br>LKR '000 | Available for Sale<br>LKR '000 | Total<br>LKR '000    |
| <b>Financial Assets</b>                       |                              |                              |                            |                                |                      |
| Cash and cash equivalents                     | –                            | –                            | 79,916,559                 | –                              | 79,916,559           |
| Balances with Central Banks                   | –                            | –                            | 38,939,790                 | –                              | 38,939,790           |
| Placements with banks                         | –                            | –                            | 27,975,582                 | –                              | 27,975,582           |
| Securities purchased under resale agreements  | –                            | –                            | 12,299,088                 | –                              | 12,299,088           |
| Derivative financial instruments              | 7,419,288                    | –                            | –                          | –                              | 7,419,288            |
| Financial instruments – Held for trading      | 12,173,304                   | –                            | –                          | –                              | 12,173,304           |
| Financial investments – Loans and receivables | –                            | –                            | 232,561,268                | –                              | 232,561,268          |
| Loans and advances to customers               | –                            | –                            | 826,789,630                | –                              | 826,789,630          |
| Financial investments – Available for sale    | –                            | –                            | –                          | 12,021,569                     | 12,021,569           |
| Financial investments – Held to maturity      | –                            | 246,288,625                  | –                          | –                              | 246,288,625          |
| <b>Total financial assets</b>                 | <b>19,592,592</b>            | <b>246,288,625</b>           | <b>1,218,481,917</b>       | <b>12,021,569</b>              | <b>1,496,384,703</b> |

| As at 31 December                           | 2015                         |                            |                      |
|---------------------------------------------|------------------------------|----------------------------|----------------------|
|                                             | Held for Trading<br>LKR '000 | Amortised Cost<br>LKR '000 | Total<br>LKR '000    |
| <b>Financial Liabilities</b>                |                              |                            |                      |
| Due to banks                                | –                            | 2,630,408                  | 2,630,408            |
| Securities sold under repurchase agreements | –                            | 87,353,154                 | 87,353,154           |
| Derivative financial instruments            | 156,302                      | –                          | 156,302              |
| Due to customers                            | –                            | 1,082,337,118              | 1,082,337,118        |
| Other borrowings                            | –                            | 250,089,102                | 250,089,102          |
| Debt securities issued                      | –                            | 3,427,058                  | 3,427,058            |
| Subordinated term debts                     | –                            | 35,627,450                 | 35,627,450           |
| <b>Total financial liabilities</b>          | <b>156,302</b>               | <b>1,461,464,290</b>       | <b>1,461,620,592</b> |

## 19.2 Group

| As at 31 December                             | 2016                         |                              |                            |                                |                      |
|-----------------------------------------------|------------------------------|------------------------------|----------------------------|--------------------------------|----------------------|
|                                               | Held for Trading<br>LKR '000 | Held to Maturity<br>LKR '000 | Amortised cost<br>LKR '000 | Available for Sale<br>LKR '000 | Total<br>LKR '000    |
| <b>Financial Assets</b>                       |                              |                              |                            |                                |                      |
| Cash and cash equivalents                     | –                            | –                            | 73,244,043                 | –                              | 73,244,043           |
| Balances with Central Banks                   | –                            | –                            | 56,387,741                 | –                              | 56,387,741           |
| Placements with banks                         | –                            | –                            | 12,931,605                 | –                              | 12,931,605           |
| Securities purchased under resale agreements  | –                            | –                            | 2,350,704                  | –                              | 2,350,704            |
| Derivative financial instruments              | 5,300,844                    | –                            | –                          | –                              | 5,300,844            |
| Financial instruments – Held for trading      | 8,804,647                    | –                            | –                          | –                              | 8,804,647            |
| Financial investments – Loans and receivables | –                            | –                            | 191,984,082                | –                              | 191,984,082          |
| Loans and advances to customers               | –                            | –                            | 1,027,768,110              | –                              | 1,027,768,110        |
| Financial investments – Available for sale    | –                            | –                            | –                          | 16,263,641                     | 16,263,641           |
| Financial investments – Held to maturity      | –                            | 243,253,967                  | –                          | –                              | 243,253,967          |
| <b>Total financial assets</b>                 | <b>14,105,491</b>            | <b>243,253,967</b>           | <b>1,364,666,285</b>       | <b>16,263,641</b>              | <b>1,638,289,384</b> |

| As at 31 December                           | 2016                         |                            |                      |
|---------------------------------------------|------------------------------|----------------------------|----------------------|
|                                             | Held for Trading<br>LKR '000 | Amortised cost<br>LKR '000 | Total<br>LKR '000    |
| <b>Financial Liabilities</b>                |                              |                            |                      |
| Due to banks                                | –                            | 2,053,945                  | 2,053,945            |
| Securities sold under repurchase agreements | –                            | 58,925,801                 | 58,925,801           |
| Derivative financial instruments            | 171,663                      | –                          | 171,663              |
| Due to customers                            | –                            | 1,273,631,287              | 1,273,631,287        |
| Other borrowings                            | –                            | 204,485,301                | 204,485,301          |
| Debt securities issued                      | –                            | 8,360,333                  | 8,360,333            |
| Subordinated term debts                     | –                            | 38,295,318                 | 38,295,318           |
| <b>Total financial liabilities</b>          | <b>171,663</b>               | <b>1,585,751,985</b>       | <b>1,585,923,648</b> |

| As at 31 December                             | 2015                         |                              |                            |                                |                      |
|-----------------------------------------------|------------------------------|------------------------------|----------------------------|--------------------------------|----------------------|
|                                               | Held for Trading<br>LKR '000 | Held to Maturity<br>LKR '000 | Amortised Cost<br>LKR '000 | Available for Sale<br>LKR '000 | Total<br>LKR '000    |
| <b>Financial Assets</b>                       |                              |                              |                            |                                |                      |
| Cash and cash equivalents                     | –                            | –                            | 83,722,721                 | –                              | 83,722,721           |
| Balances with Central Banks                   | –                            | –                            | 38,939,790                 | –                              | 38,939,790           |
| Placements with banks                         | –                            | –                            | 28,355,579                 | –                              | 28,355,579           |
| Securities purchased under resale agreements  | –                            | –                            | 13,678,789                 | –                              | 13,678,789           |
| Derivative financial instruments              | 7,419,288                    | –                            | –                          | –                              | 7,419,288            |
| Financial instruments – Held for trading      | 12,726,045                   | –                            | –                          | –                              | 12,726,045           |
| Financial investments – Loans and receivables | –                            | –                            | 233,003,742                | –                              | 233,003,742          |
| Loans and advances to customers               | –                            | –                            | 851,905,227                | –                              | 851,905,227          |
| Financial investments – Available for sale    | –                            | –                            | –                          | 16,266,652                     | 16,266,652           |
| Financial investments – Held to maturity      | –                            | 246,349,511                  | –                          | –                              | 246,349,511          |
| <b>Total financial assets</b>                 | <b>20,145,333</b>            | <b>246,349,511</b>           | <b>1,249,605,848</b>       | <b>16,266,652</b>              | <b>1,532,367,344</b> |

| As at 31 December                           | 2015                         |                            |                      |
|---------------------------------------------|------------------------------|----------------------------|----------------------|
|                                             | Held for Trading<br>LKR '000 | Amortised Cost<br>LKR '000 | Total<br>LKR '000    |
| <b>Financial Liabilities</b>                |                              |                            |                      |
| Due to banks                                | –                            | 2,632,827                  | 2,632,827            |
| Securities sold under repurchase agreements | –                            | 86,213,965                 | 86,213,965           |
| Derivative financial instruments            | 156,302                      | –                          | 156,302              |
| Due to customers                            | –                            | 1,097,950,702              | 1,097,950,702        |
| Other borrowings                            | –                            | 255,795,079                | 255,795,079          |
| Debt securities issued                      | –                            | 8,703,747                  | 8,703,747            |
| Subordinated term debts                     | –                            | 35,290,007                 | 35,290,007           |
| <b>Total financial liabilities</b>          | <b>156,302</b>               | <b>1,486,586,327</b>       | <b>1,486,742,629</b> |

## 20. Cash and Cash Equivalents

### Accounting Policy →

Cash and cash equivalents include local and foreign currency notes and coins in hand, unrestricted balances held with Central Banks, balances with other banks and highly liquid financial assets with original maturities of less than seven days, which are subject to insignificant risk of changes in their fair value and are used by the Group in the management of its short-term commitments.

| As at 31 December                      | Bank              |                   | Group             |                   |
|----------------------------------------|-------------------|-------------------|-------------------|-------------------|
|                                        | 2016<br>LKR '000  | 2015<br>LKR '000  | 2016<br>LKR '000  | 2015<br>LKR '000  |
| Local currency in hand                 | 27,454,238        | 27,381,147        | 27,641,383        | 27,514,817        |
| Foreign currency in hand               | 1,446,976         | 1,055,267         | 1,454,169         | 1,066,107         |
| Balances with banks                    | 14,492,569        | 12,923,761        | 14,434,784        | 12,873,759        |
| Money at call and short notice         | 24,312,008        | 38,556,384        | 29,713,707        | 42,268,038        |
| <b>Total cash and cash equivalents</b> | <b>67,705,791</b> | <b>79,916,559</b> | <b>73,244,043</b> | <b>83,722,721</b> |

## 21. Balances with Central Banks

### Accounting Policy →

Balances with Central Banks are carried at amortised cost in the Statement of Financial Position.

| As at 31 December                        | Bank              |                   | Group             |                   |
|------------------------------------------|-------------------|-------------------|-------------------|-------------------|
|                                          | 2016<br>LKR '000  | 2015<br>LKR '000  | 2016<br>LKR '000  | 2015<br>LKR '000  |
| Central Bank of Sri Lanka [Note 21.1]    | 51,055,931        | 30,508,546        | 51,055,931        | 30,508,546        |
| Reserve Bank of India [Note 21.2]        | 161,463           | 120,452           | 161,463           | 120,452           |
| Maldives Monetary Authority [Note 21.3]  | 4,900,518         | 8,209,788         | 4,900,518         | 8,209,788         |
| Central Bank of Seychelles [Note 21.4]   | 269,829           | 101,004           | 269,829           | 101,004           |
| <b>Total balances with Central Banks</b> | <b>56,387,741</b> | <b>38,939,790</b> | <b>56,387,741</b> | <b>38,939,790</b> |

### 21.1 Central Bank of Sri Lanka (CBSL)

In terms of the provisions of Section 93 of the Monetary Law Act No. 58 of 1949, the Bank is required to maintain a cash reserve with Central Bank of Sri Lanka. The minimum cash reserve requirement as of 31 December 2016 was 7.5% (2015 – 6%) of Sri Lankan Rupee deposit liabilities. There is no reserve requirement for foreign currency deposit liabilities maintained by domestic branches and the deposit liabilities of the Off-shore Banking Division in Sri Lanka (2015 – Nil).

### 21.2 Reserve Bank of India (RBI)

In terms of the provisions of Section 42 (1) of the Reserve Bank of India (RBI) Act No. 02 of 1934, the branch in Chennai is required to maintain a cash reserve with RBI. The minimum cash reserve as of 31 December 2016 was 4% on its demand and term deposit liabilities (2015 – 4%).



### 21.3 Maldives Monetary Authority (MMA)

In accordance with the prevailing regulations of Maldives Monetary Authority (MMA), the branch in Maldives is required to maintain a reserve deposit based on 10% of the branch's commercial deposits and liabilities to the public in the Maldives in Maldivian Rufiyaa and United States dollar separately (2015 – 10%).

### 21.4 Central Bank of Seychelles (CBS)

In accordance with the regulations of Central Bank of Seychelles, the branch in Seychelles is required to maintain a reserve deposit based on 13% of the branch's commercial deposits liabilities to the public in Seychelles (2015 – 13%).

## 22. Placements with Banks

### Accounting Policy →

Placements with banks' include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- Those that the Bank intends to sell immediately or in the near term and those that the Bank, upon – Initial recognition, designates as at fair value through profit or loss
- Those that the Bank, upon initial recognition, designates as available for sale
- Those for which the Bank may not recover substantially all of its initial investment, other than – Due to credit deterioration

Placement with banks are initially measured at fair value. After initial measurement, they are subsequently measured at amortised cost using the Effective Interest Rate (EIR), less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortisation is included in 'Interest income' (Note 8.1) in the Statement of Profit or Loss. The losses arising from impairment are recognised in 'Impairment charge/(reversal) for loans and other losses' (Note 13) in the Statement of Profit or Loss. The Group writes off certain placements with banks when they are determined to be uncollectible.

| As at 31 December                  | Bank              |                   | Group             |                   |
|------------------------------------|-------------------|-------------------|-------------------|-------------------|
|                                    | 2016<br>LKR '000  | 2015<br>LKR '000  | 2016<br>LKR '000  | 2015<br>LKR '000  |
| Banks in abroad                    | 11,674,664        | 27,975,582        | 12,931,605        | 28,355,579        |
| <b>Total placements with banks</b> | <b>11,674,664</b> | <b>27,975,582</b> | <b>12,931,605</b> | <b>28,355,579</b> |

## 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, credit risk and indices. Derivatives are categorised as trading unless they are designated as hedging instruments. The Bank uses derivatives such as cross currency swaps, forward foreign exchange contracts. All derivatives are initially recognised and subsequently measured at fair value, with all revaluation gains or losses recognised in the Statement of Profit or Loss under 'Net gains/(losses) from trading' (Note 10). 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. Fair value is determined using the forward market rates ruling on the Reporting date.

| As at 31 December                             | Bank             |                  | Group            |                  |
|-----------------------------------------------|------------------|------------------|------------------|------------------|
|                                               | 2016<br>LKR '000 | 2015<br>LKR '000 | 2016<br>LKR '000 | 2015<br>LKR '000 |
| <b>Foreign Currency Derivatives</b>           |                  |                  |                  |                  |
| Forward exchange contracts                    | 9,063            | 33,318           | 9,063            | 33,318           |
| Currency SWAPs                                | 5,291,781        | 7,385,970        | 5,291,781        | 7,385,970        |
| <b>Total derivative financial instruments</b> | <b>5,300,844</b> | <b>7,419,288</b> | <b>5,300,844</b> | <b>7,419,288</b> |

## 24. Financial instruments – Held for Trading

### Accounting Policy →

Financial instruments are classified as held for trading if they have been acquired principally for the purpose of selling or repurchasing in the near term or holds as a part of a portfolio that is managed together for short-term profit or position taking.

All financial assets under this category are initially and subsequently measured at fair value. Upon initial recognition, transaction cost are directly attributable to the acquisition are recognised in the Statement of Profit or Loss as incurred. Changes in fair value and dividend are recognised in 'Net gains/(losses) from trading' (Note 10). Interest income is recorded in 'Interest income' (Note 8.1) according to the terms of the contract.

| As at 31 December                                     | Bank             |                   | Group            |                   |
|-------------------------------------------------------|------------------|-------------------|------------------|-------------------|
|                                                       | 2016<br>LKR '000 | 2015<br>LKR '000  | 2016<br>LKR '000 | 2015<br>LKR '000  |
| Treasury Bills                                        | 4,538,007        | 7,298,725         | 4,538,007        | 7,298,725         |
| Treasury Bonds                                        | 681,439          | 947,132           | 681,439          | 947,132           |
| Sri Lanka Sovereign Bonds                             | 156,142          | 141,502           | 156,142          | 141,502           |
| Quoted equities [Note 24.1]                           | 3,098,453        | 3,785,945         | 3,426,824        | 4,336,272         |
| Quoted debt securities [Note 24.2]                    | –                | –                 | 2,235            | 2,414             |
| <b>Total financial instruments – Held for trading</b> | <b>8,474,041</b> | <b>12,173,304</b> | <b>8,804,647</b> | <b>12,726,045</b> |

The Bank has not pledged any Treasury Bills or Treasury Bonds – Held for trading as collateral as at 31 December 2016 (2015 – Nil).

## 24.1 Quoted Equities

### 24.1.1 Sector Wise Composition of Quoted Equities

| As at 31 December             | 2016               |                  |                                           | 2015               |                  |                                           |
|-------------------------------|--------------------|------------------|-------------------------------------------|--------------------|------------------|-------------------------------------------|
|                               | Cost of Investment | Market Value     | Sector Wise Composition of Market Value % | Cost of Investment | Market Value     | Sector Wise Composition of Market Value % |
|                               | LKR '000           | LKR '000         |                                           | LKR '000           | LKR '000         |                                           |
| <b>Bank [Note 24.1.2]</b>     |                    |                  |                                           |                    |                  |                                           |
| Banks, Finance and Insurance  | 19,611             | 19,303           | 0.6                                       | 19,345             | 17,780           | 0.5                                       |
| Beverage, Food and Tobacco    | 494,031            | 436,191          | 14.1                                      | 521,173            | 492,807          | 13.0                                      |
| Chemicals and Pharmaceuticals | 261,945            | 146,703          | 4.7                                       | 259,467            | 163,244          | 4.4                                       |
| Construction and Engineering  | 206,144            | 74,943           | 2.4                                       | 234,359            | 166,138          | 4.4                                       |
| Diversified Holdings          | 1,372,393          | 892,243          | 28.7                                      | 1,374,928          | 1,091,334        | 28.8                                      |
| Footware and Textiles         | 22,793             | 16,152           | 0.5                                       | 13,088             | 9,407            | 0.3                                       |
| Health Care                   | 20,425             | 17,335           | 0.6                                       | 13,281             | 11,937           | 0.3                                       |
| Hotels and Travels            | 717,456            | 386,666          | 12.5                                      | 714,577            | 463,620          | 12.2                                      |
| Investment Trusts             | 168,781            | 63,399           | 2.0                                       | 168,781            | 91,551           | 2.4                                       |
| Land and Property             | 24,685             | 19,056           | 0.6                                       | 24,534             | 21,926           | 0.6                                       |
| Manufacturing                 | 703,129            | 575,116          | 18.6                                      | 790,049            | 712,276          | 18.8                                      |
| Motors                        | 149,185            | 89,177           | 2.9                                       | 146,261            | 92,860           | 2.5                                       |
| Oil Palms                     | 83,965             | 33,392           | 1.1                                       | 83,965             | 60,964           | 1.6                                       |
| Plantations                   | 156,335            | 61,541           | 2.0                                       | 156,335            | 69,013           | 1.8                                       |
| Power and Energy              | 206,555            | 153,181          | 4.9                                       | 212,530            | 181,583          | 4.8                                       |
| Services                      | 22,759             | 14,261           | 0.5                                       | 22,759             | 20,541           | 0.5                                       |
| Stores and Supplies           | 21,923             | 11,274           | 0.4                                       | 21,923             | 11,382           | 0.3                                       |
| Telecommunications            | 8,166              | 8,380            | 0.3                                       | 9,324              | 11,900           | 0.3                                       |
| Trading                       | 148,765            | 80,140           | 2.6                                       | 149,343            | 95,682           | 2.5                                       |
| <b>Total</b>                  | <b>4,809,046</b>   | <b>3,098,453</b> | <b>100.0</b>                              | <b>4,936,022</b>   | <b>3,785,945</b> | <b>100.0</b>                              |



| As at 31 December             | 2016               |                  |                                         | 2015               |                  |                                         |
|-------------------------------|--------------------|------------------|-----------------------------------------|--------------------|------------------|-----------------------------------------|
|                               | Cost of Investment | Market Value     | Sector Wise Composition of Market Value | Cost of Investment | Market Value     | Sector Wise Composition of Market Value |
|                               | LKR '000           | LKR '000         | %                                       | LKR '000           | LKR '000         | %                                       |
| <b>Group [Note 24.1.3]</b>    |                    |                  |                                         |                    |                  |                                         |
| Banks, Finance and Insurance  | 166,491            | 133,672          | 3.9                                     | 192,652            | 181,245          | 4.2                                     |
| Beverage, Food and Tobacco    | 517,762            | 451,249          | 13.2                                    | 584,696            | 558,987          | 12.9                                    |
| Chemicals and Pharmaceuticals | 262,531            | 147,213          | 4.3                                     | 263,513            | 163,944          | 3.8                                     |
| Construction and Engineering  | 217,426            | 81,681           | 2.4                                     | 265,495            | 189,816          | 4.4                                     |
| Diversified Holdings          | 1,457,200          | 977,666          | 28.5                                    | 1,487,586          | 1,188,114        | 27.4                                    |
| Footwear and Textiles         | 23,666             | 16,946           | 0.5                                     | 13,569             | 9,851            | 0.2                                     |
| Health Care                   | 20,425             | 17,335           | 0.5                                     | 27,908             | 24,477           | 0.5                                     |
| Hotels and Travels            | 796,149            | 435,925          | 12.7                                    | 807,491            | 532,563          | 12.3                                    |
| Investment Trusts             | 190,115            | 76,976           | 2.2                                     | 187,848            | 106,374          | 2.5                                     |
| Land and Property             | 25,232             | 19,478           | 0.6                                     | 46,835             | 40,895           | 0.9                                     |
| Manufacturing                 | 736,956            | 601,573          | 17.6                                    | 836,380            | 756,098          | 17.4                                    |
| Motors                        | 149,185            | 89,177           | 2.6                                     | 146,261            | 92,860           | 2.1                                     |
| Oil Palms                     | 83,965             | 33,392           | 1.0                                     | 83,965             | 60,964           | 1.4                                     |
| Plantations                   | 173,972            | 68,211           | 2.0                                     | 179,812            | 83,882           | 1.9                                     |
| Power and Energy              | 211,419            | 158,331          | 4.6                                     | 226,959            | 194,506          | 4.5                                     |
| Services                      | 23,868             | 15,121           | 0.4                                     | 23,887             | 21,625           | 0.5                                     |
| Stores and Supplies           | 21,923             | 11,274           | 0.3                                     | 21,923             | 11,382           | 0.3                                     |
| Telecommunications            | 9,315              | 9,430            | 0.3                                     | 18,670             | 20,606           | 0.5                                     |
| Trading                       | 151,484            | 82,174           | 2.4                                     | 151,924            | 98,083           | 2.3                                     |
| <b>Total</b>                  | <b>5,239,084</b>   | <b>3,426,824</b> | <b>100.0</b>                            | <b>5,567,374</b>   | <b>4,336,272</b> | <b>100.0</b>                            |

### 24.1.2 Quoted Equities

| As at 31 December                            | Bank                   |                             |                            |                       |                        |                             |                            |                       |
|----------------------------------------------|------------------------|-----------------------------|----------------------------|-----------------------|------------------------|-----------------------------|----------------------------|-----------------------|
|                                              | 2016                   |                             |                            |                       | 2015                   |                             |                            |                       |
|                                              | No. of Ordinary Shares | Cost of Investment LKR '000 | Market Price Per Share LKR | Market Value LKR '000 | No. of Ordinary Shares | Cost of Investment LKR '000 | Market Price Per Share LKR | Market Value LKR '000 |
| <b>Banks, Finance and Insurance</b>          |                        |                             |                            |                       |                        |                             |                            |                       |
| Hatton National Bank PLC                     | 85,793                 | 19,611                      | 225.00                     | 19,303                | 84,425                 | 19,345                      | 210.60                     | 17,780                |
|                                              |                        | 19,611                      |                            | 19,303                |                        | 19,345                      |                            | 17,780                |
| <b>Beverage, Food and Tobacco</b>            |                        |                             |                            |                       |                        |                             |                            |                       |
| Bairaha Farms PLC                            | 119,942                | 31,789                      | 181.50                     | 21,769                | 69,245                 | 23,832                      | 199.70                     | 13,828                |
| Cargills (Ceylon) PLC                        | 1,303,613              | 268,297                     | 194.40                     | 253,422               | 1,303,613              | 268,297                     | 189.00                     | 246,383               |
| Ceylon Tobacco Company PLC                   | 194,178                | 185,937                     | 806.50                     | 156,605               | 230,609                | 221,846                     | 992.50                     | 228,879               |
| Distilleries Company of Sri Lanka PLC        | -                      | -                           | -                          | -                     | 80                     | 17                          | 246.00                     | 20                    |
| HVA Foods PLC                                | 20,000                 | 905                         | 6.00                       | 120                   | 20,000                 | 905                         | 7.50                       | 150                   |
| Lucky Lanka Milk Processing PLC – Voting     | 1,000,000              | 6,000                       | 3.20                       | 3,200                 | 1,000,000              | 6,000                       | 3.40                       | 3,400                 |
| Lucky Lanka Milk Processing PLC – Non-voting | 91,900                 | 276                         | 1.40                       | 129                   | 91,900                 | 276                         | 1.60                       | 147                   |
| Three Acre Farms PLC                         | 7,000                  | 827                         | 135.10                     | 946                   | -                      | -                           | -                          | -                     |
|                                              |                        | 494,031                     |                            | 436,191               |                        | 521,173                     |                            | 492,807               |

| As at 31 December                       | Bank                   |                             |                            |                       |                        |                             |                            |                       |
|-----------------------------------------|------------------------|-----------------------------|----------------------------|-----------------------|------------------------|-----------------------------|----------------------------|-----------------------|
|                                         | 2016                   |                             |                            |                       | 2015                   |                             |                            |                       |
|                                         | No. of Ordinary Shares | Cost of Investment LKR '000 | Market Price Per Share LKR | Market Value LKR '000 | No. of Ordinary Shares | Cost of Investment LKR '000 | Market Price Per Share LKR | Market Value LKR '000 |
| <b>Chemicals and Pharmaceuticals</b>    |                        |                             |                            |                       |                        |                             |                            |                       |
| Chemanax PLC                            | 100,000                | 16,685                      | 59.60                      | 5,960                 | 100,000                | 16,685                      | 70.00                      | 7,000                 |
| CIC Holdings PLC – Voting               | 770,657                | 124,284                     | 91.40                      | 70,438                | 743,089                | 121,806                     | 100.30                     | 74,532                |
| CIC Holdings PLC – Non-voting           | 416,189                | 40,011                      | 68.00                      | 28,301                | 416,189                | 40,011                      | 81.20                      | 33,795                |
| Haycarb PLC                             | 251,067                | 48,262                      | 150.00                     | 37,660                | 251,067                | 48,262                      | 164.90                     | 41,401                |
| Lankem Ceylon PLC                       | 72,400                 | 32,703                      | 60.00                      | 4,344                 | 72,400                 | 32,703                      | 90.00                      | 6,516                 |
|                                         |                        | 261,945                     |                            | 146,703               |                        | 259,467                     |                            | 163,244               |
| <b>Construction and Engineering</b>     |                        |                             |                            |                       |                        |                             |                            |                       |
| Access Engineering PLC                  | 177,000                | 4,189                       | 24.80                      | 4,390                 | 1,359,532              | 32,404                      | 23.10                      | 31,405                |
| Colombo Dockyard PLC                    | 897,622                | 201,955                     | 78.60                      | 70,553                | 897,622                | 201,955                     | 150.10                     | 134,733               |
|                                         |                        | 206,144                     |                            | 74,943                |                        | 234,359                     |                            | 166,138               |
| <b>Diversified Holdings</b>             |                        |                             |                            |                       |                        |                             |                            |                       |
| Aitken Spence PLC                       | 2,596,230              | 360,512                     | 65.00                      | 168,756               | 2,596,230              | 360,512                     | 96.70                      | 251,055               |
| Browns Capital PLC                      | 200,000                | 991                         | 1.10                       | 220                   | 200,000                | 991                         | 1.30                       | 260                   |
| Browns Investments PLC                  | 3,073,412              | 13,317                      | 1.40                       | 4,303                 | 3,073,412              | 13,317                      | 1.40                       | 4,303                 |
| Carson Cumberbatch PLC                  | 313,352                | 141,328                     | 173.80                     | 54,461                | 313,352                | 141,328                     | 346.10                     | 108,451               |
| C T Holdings PLC                        | 244,944                | 36,788                      | 125.20                     | 30,667                | 244,944                | 36,788                      | 140.00                     | 34,292                |
| Expolanka Holdings PLC                  | 1,716,193              | 15,964                      | 6.30                       | 10,812                | 1,716,193              | 15,964                      | 8.10                       | 13,901                |
| Hayleys PLC                             | 68,097                 | 21,556                      | 270.00                     | 18,386                | 68,097                 | 21,556                      | 307.40                     | 20,933                |
| John Keells Holdings PLC                | 3,305,714              | 576,591                     | 145.00                     | 479,329               | 2,900,062              | 577,179                     | 178.10                     | 516,501               |
| John Keells Holdings PLC – Warrant 0023 | –                      | –                           | –                          | –                     | 36,189                 | 1,947                       | 32.30                      | 1,169                 |
| Richard Pieris and Company PLC          | 6,889,225              | 90,662                      | 8.00                       | 55,114                | 6,889,225              | 90,662                      | 8.50                       | 58,558                |
| Softlogic Holdings PLC                  | 1,696,191              | 33,415                      | 13.00                      | 22,050                | 1,696,191              | 33,415                      | 15.50                      | 26,291                |
| The Colombo Fort Land & Building PLC    | 149,500                | 10,307                      | 20.00                      | 2,990                 | 149,500                | 10,307                      | 22.90                      | 3,424                 |
| Vallibel One PLC                        | 2,427,704              | 70,962                      | 18.60                      | 45,155                | 2,427,704              | 70,962                      | 21.50                      | 52,196                |
|                                         |                        | 1,372,393                   |                            | 892,243               |                        | 1,374,928                   |                            | 1,091,334             |
| <b>Footware and Textiles</b>            |                        |                             |                            |                       |                        |                             |                            |                       |
| Hayleys Fabric PLC                      | 724,098                | 13,468                      | 15.00                      | 10,861                | 202,620                | 3,763                       | 22.40                      | 4,539                 |
| ODEL PLC                                | 222,295                | 9,325                       | 23.80                      | 5,291                 | 222,295                | 9,325                       | 21.90                      | 4,868                 |
|                                         |                        | 22,793                      |                            | 16,152                |                        | 13,088                      |                            | 9,407                 |
| <b>Health Care</b>                      |                        |                             |                            |                       |                        |                             |                            |                       |
| Nawaloka Hospitals PLC                  | 19,081                 | 79                          | 4.50                       | 86                    | 90,700                 | 392                         | 3.30                       | 299                   |
| Singhe Hospitals PLC                    | 4,000,000              | 10,000                      | 1.90                       | 7,600                 | 4,000,000              | 10,000                      | 2.10                       | 8,400                 |
| The Lanka Hospital Corporation PLC      | 148,450                | 10,346                      | 65.00                      | 9,649                 | 53,690                 | 2,889                       | 60.30                      | 3,238                 |
|                                         |                        | 20,425                      |                            | 17,335                |                        | 13,281                      |                            | 11,937                |

| As at 31 December                    | Bank                   |                             |                            |                       |                        |                             |                            |                       |
|--------------------------------------|------------------------|-----------------------------|----------------------------|-----------------------|------------------------|-----------------------------|----------------------------|-----------------------|
|                                      | 2016                   |                             |                            |                       | 2015                   |                             |                            |                       |
|                                      | No. of Ordinary Shares | Cost of Investment LKR '000 | Market Price Per Share LKR | Market Value LKR '000 | No. of Ordinary Shares | Cost of Investment LKR '000 | Market Price Per Share LKR | Market Value LKR '000 |
| <b>Hotels and Travels</b>            |                        |                             |                            |                       |                        |                             |                            |                       |
| Aitken Spence Hotel Holdings PLC     | 2,547,422              | 232,670                     | 43.10                      | 109,794               | 2,547,422              | 232,670                     | 68.00                      | 173,225               |
| Amaya Leisure PLC                    | 569,845                | 53,019                      | 65.50                      | 37,325                | 554,016                | 51,911                      | 66.70                      | 36,953                |
| Asian Hotels & Properties PLC        | 2,367,741              | 225,781                     | 57.00                      | 134,961               | 2,367,741              | 225,781                     | 59.10                      | 139,934               |
| Citrus Leisure PLC                   | 100,000                | 10,112                      | 9.50                       | 950                   | 100,000                | 10,112                      | 10.10                      | 1,010                 |
| Eden Hotel Lanka PLC                 | 775,550                | 41,864                      | 13.50                      | 10,470                | 775,550                | 41,864                      | 17.50                      | 13,572                |
| Galadari Hotels (Lanka) PLC          | 61,030                 | 927                         | 10.70                      | 653                   | 61,030                 | 927                         | 10.50                      | 641                   |
| John Keells Hotels PLC               | 893,487                | 14,553                      | 10.90                      | 9,739                 | 893,487                | 14,553                      | 15.40                      | 13,760                |
| Marawila Resorts PLC                 | 100,000                | 782                         | 2.40                       | 240                   | 100,000                | 782                         | 2.80                       | 280                   |
| Tal Lanka Hotels PLC                 | 447,400                | 30,043                      | 25.20                      | 11,274                | 447,400                | 30,043                      | 25.30                      | 11,319                |
| Tangerine Beach Hotels PLC           | 50,000                 | 5,056                       | 59.90                      | 2,995                 | 50,000                 | 5,056                       | 78.30                      | 3,915                 |
| The Fortress Resorts PLC             | 1,461,100              | 50,506                      | 13.60                      | 19,871                | 1,461,100              | 50,506                      | 15.00                      | 21,917                |
| The Kingsbury PLC                    | 232,668                | 3,736                       | 15.20                      | 3,537                 | 116,895                | 1,965                       | 17.50                      | 2,046                 |
| Trans Asia Hotels PLC                | 477,200                | 48,407                      | 94.00                      | 44,857                | 477,200                | 48,407                      | 94.40                      | 45,048                |
|                                      |                        | 717,456                     |                            | 386,666               |                        | 714,577                     |                            | 463,620               |
| <b>Investment Trusts</b>             |                        |                             |                            |                       |                        |                             |                            |                       |
| Ceylon Guardian Investment Trust PLC | 107,847                | 32,747                      | 105.50                     | 11,378                | 107,847                | 32,747                      | 174.10                     | 18,776                |
| Ceylon Investment PLC                | 446,206                | 73,124                      | 49.10                      | 21,909                | 446,206                | 73,124                      | 79.60                      | 35,518                |
| Lanka Century Investments PLC        | 385,000                | 23,271                      | 11.80                      | 4,543                 | 385,000                | 23,271                      | 12.10                      | 4,659                 |
| Renuka Holdings PLC                  | 1,211,821              | 39,639                      | 21.10                      | 25,569                | 1,211,821              | 39,639                      | 26.90                      | 32,598                |
|                                      |                        | 168,781                     |                            | 63,399                |                        | 168,781                     |                            | 91,551                |
| <b>Land and Property</b>             |                        |                             |                            |                       |                        |                             |                            |                       |
| Overseas Realty (Ceylon) PLC         | 952,792                | 24,685                      | 20.00                      | 19,056                | 945,081                | 24,534                      | 23.20                      | 21,926                |
|                                      |                        | 24,685                      |                            | 19,056                |                        | 24,534                      |                            | 21,926                |
| <b>Manufacturing</b>                 |                        |                             |                            |                       |                        |                             |                            |                       |
| Abans Electricals PLC                | 196,303                | 26,807                      | 100.10                     | 19,650                | 17,880                 | 4,931                       | 135.40                     | 2,421                 |
| ACL Cables PLC                       | 1,005,246              | 45,924                      | 60.50                      | 60,817                | 384,199                | 31,619                      | 120.90                     | 46,450                |
| ACME Printing & Packaging PLC        | 1,078,700              | 35,020                      | 6.20                       | 6,688                 | 1,078,700              | 35,020                      | 8.20                       | 8,845                 |
| Alumex PLC                           | 100,529                | 2,037                       | 20.20                      | 2,031                 | -                      | -                           | -                          | -                     |
| Central Industries PLC               | 113,156                | 4,562                       | 49.50                      | 5,601                 | 43,525                 | 3,345                       | 116.30                     | 5,062                 |
| Ceylon Grain Elevators PLC           | 403,709                | 45,057                      | 82.90                      | 33,467                | 73,965                 | 16,298                      | 91.60                      | 6,775                 |
| Chevron Lubricants Lanka PLC         | 837,966                | 154,550                     | 157.10                     | 131,644               | 418,983                | 154,550                     | 344.00                     | 144,130               |
| Kelani Tyres PLC                     | 1,016,213              | 75,060                      | 64.90                      | 65,952                | 803,780                | 60,267                      | 77.50                      | 62,293                |
| Lanka Cement PLC                     | 9,014,438              | 78,876                      | 5.90                       | 53,185                | 9,014,438              | 78,876                      | 7.90                       | 71,214                |
| Lanka Tiles PLC                      | 973,200                | 130,512                     | 95.90                      | 93,330                | 973,200                | 130,512                     | 110.90                     | 107,928               |
| Lanka Walltiles PLC                  | 53,046                 | 4,890                       | 99.70                      | 5,289                 | 212,014                | 19,546                      | 109.80                     | 23,279                |
| Orient Garments PLC                  | 82,150                 | 2,568                       | 7.00                       | 575                   | 280,877                | 8,780                       | 7.30                       | 2,050                 |
| Piramal Glass Ceylon PLC             | 3,288,600              | 32,322                      | 5.30                       | 17,430                | 3,288,600              | 32,322                      | 6.10                       | 20,060                |
| Royal Ceramics Lanka PLC             | 152,294                | 17,962                      | 115.50                     | 17,590                | 1,301,830              | 153,603                     | 111.20                     | 144,764               |
| Sierra Cables PLC                    | 129,525                | 465                         | 3.30                       | 427                   | 20,000                 | 94                          | 4.00                       | 80                    |
| Swisstek (Ceylon) PLC                | 216,709                | 15,317                      | 68.90                      | 14,931                | -                      | -                           | -                          | -                     |
| Teejay Lanka PLC                     | 565,103                | 10,638                      | 42.80                      | 24,186                | 558,984                | 10,341                      | 35.50                      | 19,844                |

| As at 31 December                                    | Bank                   |                             |                            |                       |                        |                             |                            |                       |
|------------------------------------------------------|------------------------|-----------------------------|----------------------------|-----------------------|------------------------|-----------------------------|----------------------------|-----------------------|
|                                                      | 2016                   |                             |                            |                       | 2015                   |                             |                            |                       |
|                                                      | No. of Ordinary Shares | Cost of Investment LKR '000 | Market Price Per Share LKR | Market Value LKR '000 | No. of Ordinary Shares | Cost of Investment LKR '000 | Market Price Per Share LKR | Market Value LKR '000 |
| <b>Tokyo Cement Company (Lanka) PLC – Voting</b>     | 200,000                | 11,911                      | 59.20                      | 11,840                | –                      | –                           | –                          | –                     |
| <b>Tokyo Cement Company (Lanka) PLC – Non-voting</b> | 203,563                | 8,651                       | 51.50                      | 10,483                | 1,191,932              | 49,945                      | 39.50                      | 47,081                |
|                                                      |                        | 703,129                     |                            | 575,116               |                        | 790,049                     |                            | 712,276               |
| <b>Motors</b>                                        |                        |                             |                            |                       |                        |                             |                            |                       |
| C M Holdings PLC                                     | 50,857                 | 17,422                      | 85.20                      | 4,333                 | 50,857                 | 17,422                      | 110.20                     | 5,604                 |
| Diesel & Motor Engineering PLC                       | 77,935                 | 84,514                      | 581.00                     | 45,280                | 77,935                 | 84,514                      | 615.50                     | 47,969                |
| Sathosa Motors PLC                                   | 16,000                 | 6,198                       | 298.70                     | 4,779                 | 16,000                 | 6,198                       | 312.00                     | 4,992                 |
| United Motors Lanka PLC                              | 404,478                | 41,051                      | 86.00                      | 34,785                | 373,182                | 38,127                      | 91.90                      | 34,295                |
|                                                      |                        | 149,185                     |                            | 89,177                |                        | 146,261                     |                            | 92,860                |
| <b>Oil Palms</b>                                     |                        |                             |                            |                       |                        |                             |                            |                       |
| Bukit Darah PLC                                      | 119,257                | 83,965                      | 280.00                     | 33,392                | 119,257                | 83,965                      | 511.20                     | 60,964                |
|                                                      |                        | 83,965                      |                            | 33,392                |                        | 83,965                      |                            | 60,964                |
| <b>Plantations</b>                                   |                        |                             |                            |                       |                        |                             |                            |                       |
| Agalawatte Plantations PLC                           | 45,600                 | 4,608                       | 17.50                      | 798                   | 45,600                 | 4,608                       | 20.50                      | 935                   |
| Balangoda Plantations PLC                            | 30,000                 | 2,184                       | 12.20                      | 366                   | 30,000                 | 2,184                       | 17.60                      | 528                   |
| Horana Plantations PLC                               | 513,000                | 43,752                      | 17.90                      | 9,183                 | 513,000                | 43,752                      | 21.40                      | 10,978                |
| Kahawatte Plantations PLC                            | 838,629                | 33,921                      | 37.70                      | 31,616                | 838,629                | 33,921                      | 37.20                      | 31,197                |
| Kegalle Plantations PLC                              | 50,600                 | 13,703                      | 48.50                      | 2,454                 | 50,600                 | 13,703                      | 66.50                      | 3,365                 |
| Kotagala Plantations PLC                             | 486,665                | 34,711                      | 8.90                       | 4,331                 | 486,665                | 34,711                      | 17.80                      | 8,663                 |
| Namunukula Plantations PLC                           | 80,000                 | 12,458                      | 73.70                      | 5,896                 | 80,000                 | 12,458                      | 60.50                      | 4,840                 |
| Watawala Plantations PLC                             | 350,100                | 10,998                      | 19.70                      | 6,897                 | 350,100                | 10,998                      | 24.30                      | 8,507                 |
|                                                      |                        | 156,335                     |                            | 61,541                |                        | 156,335                     |                            | 69,013                |
| <b>Power and Energy</b>                              |                        |                             |                            |                       |                        |                             |                            |                       |
| Lanka IOC PLC                                        | –                      | –                           | –                          | –                     | 150,000                | 5,975                       | 37.10                      | 5,565                 |
| Laugfs Gas PLC – Voting                              | 168,727                | 4,688                       | 33.30                      | 5,619                 | 168,727                | 4,688                       | 41.50                      | 7,002                 |
| Laugfs Gas PLC – Non-voting                          | 3,420,538              | 142,754                     | 32.90                      | 112,536               | 3,420,538              | 142,754                     | 38.10                      | 130,322               |
| Lotus Hydro Power PLC                                | 173,194                | 1,427                       | 6.60                       | 1,143                 | 173,194                | 1,427                       | 7.00                       | 1,212                 |
| Panasian Power PLC                                   | 1,029,200              | 6,407                       | 3.00                       | 3,088                 | 1,029,200              | 6,407                       | 3.50                       | 3,602                 |
| Resus Energy PLC                                     | 1,117,700              | 45,609                      | 22.30                      | 24,925                | 1,117,700              | 45,609                      | 25.00                      | 27,943                |
| Vallibel Power Erathna PLC                           | 667,050                | 5,670                       | 8.80                       | 5,870                 | 667,050                | 5,670                       | 8.90                       | 5,937                 |
|                                                      |                        | 206,555                     |                            | 153,181               |                        | 212,530                     |                            | 181,583               |
| <b>Services</b>                                      |                        |                             |                            |                       |                        |                             |                            |                       |
| John Keells PLC                                      | 250,200                | 22,759                      | 57.00                      | 14,261                | 250,200                | 22,759                      | 82.10                      | 20,541                |
|                                                      |                        | 22,759                      |                            | 14,261                |                        | 22,759                      |                            | 20,541                |
| <b>Stores and Supplies</b>                           |                        |                             |                            |                       |                        |                             |                            |                       |
| Hunters & Company PLC                                | 27,100                 | 21,923                      | 416.00                     | 11,274                | 27,100                 | 21,923                      | 420.00                     | 11,382                |
|                                                      |                        | 21,923                      |                            | 11,274                |                        | 21,923                      |                            | 11,382                |
| <b>Telecommunications</b>                            |                        |                             |                            |                       |                        |                             |                            |                       |
| Dialog Axiata PLC                                    | 64,408                 | 670                         | 10.50                      | 676                   | 172,108                | 1,828                       | 10.70                      | 1,842                 |
| Sri Lanka Telecom PLC                                | 214,000                | 7,496                       | 36.00                      | 7,704                 | 214,000                | 7,496                       | 47.00                      | 10,058                |
|                                                      |                        | 8,166                       |                            | 8,380                 |                        | 9,324                       |                            | 11,900                |



| As at 31 December            | Bank                   |                             |                            |                       |                        |                             |                            |                       |
|------------------------------|------------------------|-----------------------------|----------------------------|-----------------------|------------------------|-----------------------------|----------------------------|-----------------------|
|                              | 2016                   |                             |                            |                       | 2015                   |                             |                            |                       |
|                              | No. of Ordinary Shares | Cost of Investment LKR '000 | Market Price Per Share LKR | Market Value LKR '000 | No. of Ordinary Shares | Cost of Investment LKR '000 | Market Price Per Share LKR | Market Value LKR '000 |
| <b>Trading</b>               |                        |                             |                            |                       |                        |                             |                            |                       |
| Brown & Company PLC          | 809,616                | 133,026                     | 84.00                      | 68,008                | 809,616                | 133,026                     | 101.10                     | 81,852                |
| Ceylon & Foreign Trades PLC  | 830,100                | 8,533                       | 5.30                       | 4,400                 | 830,100                | 8,533                       | 6.30                       | 5,230                 |
| C. W. Mackie PLC             | 54,890                 | 2,959                       | 54.70                      | 3,002                 | 78,505                 | 4,457                       | 57.90                      | 4,545                 |
| Singer (Sri Lanka) PLC       | 37,481                 | 4,247                       | 126.20                     | 4,730                 | 29,408                 | 3,327                       | 137.90                     | 4,055                 |
|                              |                        | 148,765                     |                            | 80,140                |                        | 149,343                     |                            | 95,682                |
| <b>Total quoted equities</b> |                        | <b>4,809,046</b>            |                            | <b>3,098,453</b>      |                        | <b>4,936,022</b>            |                            | <b>3,785,945</b>      |

| As at 31 December                                         | Group                  |                             |                            |                       |                        |                             |                            |                       |
|-----------------------------------------------------------|------------------------|-----------------------------|----------------------------|-----------------------|------------------------|-----------------------------|----------------------------|-----------------------|
|                                                           | 2016                   |                             |                            |                       | 2015                   |                             |                            |                       |
|                                                           | No. of Ordinary Shares | Cost of Investment LKR '000 | Market Price Per Share LKR | Market Value LKR '000 | No. of Ordinary Shares | Cost of Investment LKR '000 | Market Price Per Share LKR | Market Value LKR '000 |
| <b>Banks, Finance and Insurance</b>                       |                        |                             |                            |                       |                        |                             |                            |                       |
| Asia Asset Finance PLC                                    | –                      | –                           | –                          | –                     | 2,520,000              | 4,388                       | 1.70                       | 4,284                 |
| Central Finance Company PLC                               | 45,000                 | 5,842                       | 100.00                     | 4,500                 | 39,894                 | 10,531                      | 253.00                     | 10,093                |
| Ceylinco Insurance PLC                                    | 1,810                  | 2,851                       | 1,490.00                   | 2,697                 | 2,810                  | 4,426                       | 1,485.60                   | 4,175                 |
| Chilaw Finance PLC                                        | 3,753                  | 87                          | 20.40                      | 77                    | 38,857                 | 855                         | 22.90                      | 890                   |
| Citizens Development Business<br>Finance PLC – Non-voting | 44,733                 | 3,992                       | 62.10                      | 2,778                 | 44,733                 | 3,992                       | 80.00                      | 3,579                 |
| Commercial Bank of Ceylon PLC – Voting                    | 9,964                  | 1,714                       | 145.00                     | 1,445                 | 10,000                 | 1,745                       | 140.20                     | 1,402                 |
| Commercial Bank of Ceylon PLC –<br>Non-voting             | –                      | –                           | –                          | –                     | 68,018                 | 8,367                       | 123.00                     | 8,366                 |
| Commercial Credit and Finance PLC                         | 30,000                 | 1,998                       | 56.30                      | 1,689                 | –                      | –                           | –                          | –                     |
| DFCC Bank PLC                                             | 120,000                | 24,993                      | 122.50                     | 14,700                | 120,000                | 24,993                      | 168.10                     | 20,172                |
| Hatton National Bank PLC – Voting                         | 85,793                 | 19,611                      | 225.00                     | 19,303                | 84,425                 | 19,345                      | 210.60                     | 17,780                |
| Hatton National Bank PLC – Non-voting                     | –                      | –                           | –                          | –                     | 15,000                 | 2,625                       | 177.90                     | 2,669                 |
| HDFC Bank of Sri Lanka                                    | 26,500                 | 1,832                       | 47.20                      | 1,251                 | 27,000                 | 1,866                       | 67.10                      | 1,812                 |
| HNB Assurance PLC                                         | 7,500                  | 621                         | 58.80                      | 441                   | 7,500                  | 621                         | 74.60                      | 560                   |
| Janashakthi Insurance Company PLC                         | 674,893                | 13,072                      | 16.40                      | 11,068                | 674,893                | 13,072                      | 17.50                      | 11,811                |
| Lanka Orix Leasing Company PLC                            | 133,100                | 15,180                      | 72.50                      | 9,650                 | 126,600                | 14,642                      | 94.00                      | 11,900                |
| LOLC Finance PLC                                          | 500,000                | 1,300                       | 2.60                       | 1,300                 | –                      | –                           | –                          | –                     |
| National Development Bank PLC                             | 72,704                 | 16,513                      | 156.00                     | 11,342                | 67,704                 | 15,688                      | 194.10                     | 13,141                |
| Nations Trust Bank PLC                                    | 210,032                | 20,657                      | 80.90                      | 16,992                | 210,032                | 20,657                      | 86.30                      | 18,126                |
| Sampath Bank PLC                                          | –                      | –                           | –                          | –                     | 25,000                 | 6,283                       | 248.00                     | 6,200                 |
| Sanasa Development Bank PLC                               | 256                    | 27                          | 103.70                     | 27                    | –                      | –                           | –                          | –                     |
| Seylan Bank PLC – Voting                                  | 135,000                | 13,846                      | 90.00                      | 12,150                | 135,000                | 13,846                      | 95.00                      | 12,825                |
| Seylan Bank PLC – Non-voting                              | 330,000                | 17,845                      | 59.00                      | 19,470                | 375,000                | 20,227                      | 73.00                      | 27,375                |
| Softlogic Finance PLC                                     | 60,515                 | 3,340                       | 34.00                      | 2,058                 | 60,515                 | 3,340                       | 51.90                      | 3,141                 |
| Swarnamahala Financial Services PLC                       | –                      | –                           | –                          | –                     | 25,831                 | 143                         | 1.70                       | 44                    |
| The Finance Company PLC – Non-voting                      | 200,000                | 1,000                       | 2.90                       | 580                   | 200,000                | 1,000                       | 4.50                       | 900                   |
| Union Bank of Colombo PLC                                 | 10,000                 | 170                         | 15.40                      | 154                   | –                      | –                           | –                          | –                     |
|                                                           |                        | 166,491                     |                            | 133,672               |                        | 192,652                     |                            | 181,245               |



| As at 31 December                            | Group                  |                             |                            |                       |                        |                             |                            |                       |
|----------------------------------------------|------------------------|-----------------------------|----------------------------|-----------------------|------------------------|-----------------------------|----------------------------|-----------------------|
|                                              | 2016                   |                             |                            |                       | 2015                   |                             |                            |                       |
|                                              | No. of Ordinary Shares | Cost of Investment LKR '000 | Market Price Per Share LKR | Market Value LKR '000 | No. of Ordinary Shares | Cost of Investment LKR '000 | Market Price Per Share LKR | Market Value LKR '000 |
| <b>Beverage, Food and Tobacco</b>            |                        |                             |                            |                       |                        |                             |                            |                       |
| Bairaha Farms PLC                            | 119,942                | 31,789                      | 181.50                     | 21,769                | 69,245                 | 23,832                      | 199.70                     | 13,828                |
| Cargills (Ceylon) PLC                        | 1,303,613              | 268,297                     | 194.40                     | 253,422               | 1,303,613              | 268,297                     | 189.00                     | 246,383               |
| Ceylon Tobacco Company PLC                   | 194,178                | 185,937                     | 806.50                     | 156,605               | 235,609                | 226,296                     | 992.50                     | 233,842               |
| Distilleries Company of Sri Lanka PLC        | –                      | –                           | –                          | –                     | 185,080                | 35,749                      | 246.00                     | 45,530                |
| HVA Foods PLC                                | 20,000                 | 905                         | 6.00                       | 120                   | 20,000                 | 905                         | 7.50                       | 150                   |
| Keells Food Products PLC                     | 27,672                 | 4,746                       | 158.00                     | 4,372                 | 10,729                 | 1,899                       | 207.60                     | 2,227                 |
| Lucky Lanka Milk Processing PLC – Voting     | 3,657,487              | 21,808                      | 3.20                       | 11,704                | 4,057,722              | 24,265                      | 3.40                       | 13,796                |
| Lucky Lanka Milk Processing PLC – Non-voting | 91,900                 | 276                         | 1.40                       | 129                   | 91,900                 | 276                         | 1.60                       | 147                   |
| Renuka Agri Foods PLC                        | 752,274                | 3,177                       | 2.90                       | 2,182                 | 752,274                | 3,177                       | 4.10                       | 3,084                 |
| Three Acre Farms PLC                         | 7,000                  | 827                         | 135.10                     | 946                   | –                      | –                           | –                          | –                     |
|                                              |                        | 517,762                     |                            | 451,249               |                        | 584,696                     |                            | 558,987               |
| <b>Chemicals and Pharmaceuticals</b>         |                        |                             |                            |                       |                        |                             |                            |                       |
| Chemanex PLC                                 | 100,000                | 16,685                      | 59.60                      | 5,960                 | 100,000                | 16,685                      | 70.00                      | 7,000                 |
| CIC Holdings PLC – Voting                    | 770,657                | 124,284                     | 91.40                      | 70,438                | 743,089                | 121,806                     | 100.30                     | 74,532                |
| CIC Holdings PLC – Non-voting                | 423,689                | 40,596                      | 68.00                      | 28,811                | 416,189                | 40,011                      | 81.20                      | 33,795                |
| Haycarb PLC                                  | 251,067                | 48,263                      | 150.00                     | 37,660                | 251,067                | 48,263                      | 164.90                     | 41,401                |
| Lankem Ceylon PLC                            | 72,400                 | 32,703                      | 60.00                      | 4,344                 | 72,400                 | 32,703                      | 90.00                      | 6,516                 |
| PC Pharma PLC                                | –                      | –                           | –                          | –                     | 1,400,000              | 4,045                       | 0.50                       | 700                   |
|                                              |                        | 262,531                     |                            | 147,213               |                        | 263,513                     |                            | 163,944               |
| <b>Construction and Engineering</b>          |                        |                             |                            |                       |                        |                             |                            |                       |
| Access Engineering PLC                       | 177,000                | 4,189                       | 24.80                      | 4,390                 | 1,979,974              | 52,258                      | 23.10                      | 45,737                |
| Colombo Dockyard PLC                         | 915,540                | 205,492                     | 78.60                      | 71,961                | 915,540                | 205,492                     | 150.10                     | 137,423               |
| MTD Walkers PLC                              | 130,000                | 7,745                       | 41.00                      | 5,330                 | 130,000                | 7,745                       | 51.20                      | 6,656                 |
|                                              |                        | 217,426                     |                            | 81,681                |                        | 265,495                     |                            | 189,816               |
| <b>Diversified Holdings</b>                  |                        |                             |                            |                       |                        |                             |                            |                       |
| Adam Capital PLC                             | –                      | –                           | –                          | –                     | 1,200,000              | 3,250                       | 2.10                       | 2,520                 |
| Aitken Spence PLC                            | 2,711,230              | 372,128                     | 65.00                      | 176,230               | 2,711,230              | 372,128                     | 96.70                      | 262,176               |
| Browns Capital PLC                           | 200,000                | 990                         | 1.10                       | 220                   | 200,000                | 990                         | 1.30                       | 260                   |
| Browns Investments PLC                       | 3,073,412              | 13,324                      | 1.40                       | 4,303                 | 5,026,446              | 18,539                      | 1.40                       | 7,037                 |
| Carson Cumberbatch PLC                       | 313,352                | 141,328                     | 173.80                     | 54,461                | 313,352                | 141,328                     | 346.10                     | 108,451               |
| C T Holdings PLC                             | 244,944                | 36,788                      | 125.20                     | 30,667                | 264,944                | 40,994                      | 140.00                     | 37,092                |
| Expolanka Holdings PLC                       | 1,716,193              | 15,964                      | 6.30                       | 10,812                | 1,716,193              | 15,964                      | 8.10                       | 13,901                |
| Hayleys PLC                                  | 68,097                 | 21,556                      | 270.00                     | 18,386                | 68,097                 | 21,556                      | 307.40                     | 20,933                |
| Hemas Holdings PLC                           | –                      | –                           | –                          | –                     | 117,803                | 10,013                      | 92.90                      | 10,944                |
| John Keells Holdings PLC                     | 3,591,712              | 619,573                     | 145.00                     | 520,798               | 3,150,855              | 623,686                     | 178.10                     | 561,167               |
| John Keells Holdings PLC – Warrants 0023     | –                      | –                           | –                          | –                     | 481,718                | 26,107                      | 32.30                      | 15,559                |
| Melstacorp Limited                           | 600,000                | 28,973                      | 59.30                      | 35,580                | –                      | –                           | –                          | –                     |
| Richard Pieris and Company PLC               | 6,889,225              | 90,662                      | 8.00                       | 55,114                | 6,889,225              | 90,662                      | 8.50                       | 58,558                |
| Softlogic Holdings PLC                       | 1,696,191              | 33,415                      | 13.00                      | 22,050                | 1,916,191              | 36,791                      | 15.50                      | 29,701                |
| The Colombo Fort Land & Building PLC         | 194,500                | 11,537                      | 20.00                      | 3,890                 | 194,500                | 11,537                      | 22.90                      | 4,454                 |
| Vallibel One PLC                             | 2,427,704              | 70,962                      | 18.60                      | 45,155                | 2,574,934              | 74,041                      | 21.50                      | 55,361                |
|                                              |                        | 1,457,200                   |                            | 977,666               |                        | 1,487,586                   |                            | 1,188,114             |



| As at 31 December                      | Group                  |                             |                            |                       |                        |                             |                            |                       |
|----------------------------------------|------------------------|-----------------------------|----------------------------|-----------------------|------------------------|-----------------------------|----------------------------|-----------------------|
|                                        | 2016                   |                             |                            |                       | 2015                   |                             |                            |                       |
|                                        | No. of Ordinary Shares | Cost of Investment LKR '000 | Market Price Per Share LKR | Market Value LKR '000 | No. of Ordinary Shares | Cost of Investment LKR '000 | Market Price Per Share LKR | Market Value LKR '000 |
| <b>Footwear and Textiles</b>           |                        |                             |                            |                       |                        |                             |                            |                       |
| Ceylon Leather Products PLC            | 11,348                 | 873                         | 70.00                      | 794                   | 5,770                  | 481                         | 77.00                      | 444                   |
| Hayleys Fabric PLC                     | 724,098                | 13,468                      | 15.00                      | 10,861                | 202,620                | 3,763                       | 22.40                      | 4,539                 |
| ODEL PLC                               | 222,295                | 9,325                       | 23.80                      | 5,291                 | 222,295                | 9,325                       | 21.90                      | 4,868                 |
|                                        |                        | 23,666                      |                            | 16,946                |                        | 13,569                      |                            | 9,851                 |
| <b>Health Care</b>                     |                        |                             |                            |                       |                        |                             |                            |                       |
| Nawaloka Hospitals PLC                 | 19,081                 | 79                          | 4.50                       | 86                    | 3,890,700              | 15,019                      | 3.30                       | 12,839                |
| Singhe Hospital PLC                    | 4,000,000              | 10,000                      | 1.90                       | 7,600                 | 4,000,000              | 10,000                      | 2.10                       | 8,400                 |
| The Lanka Hospital Corporation PLC     | 148,450                | 10,346                      | 65.00                      | 9,649                 | 53,690                 | 2,889                       | 60.30                      | 3,238                 |
|                                        |                        | 20,425                      |                            | 17,335                |                        | 27,908                      |                            | 24,477                |
| <b>Hotels and Travels</b>              |                        |                             |                            |                       |                        |                             |                            |                       |
| Aitken Spence Hotel Holdings PLC       | 2,610,641              | 238,463                     | 43.10                      | 112,519               | 2,610,641              | 238,463                     | 68.00                      | 177,524               |
| Amaya Leisure PLC                      | 569,845                | 53,019                      | 65.50                      | 37,325                | 554,016                | 51,911                      | 66.70                      | 36,953                |
| Asian Hotels & Properties PLC          | 2,500,558              | 235,726                     | 57.00                      | 142,532               | 2,573,955              | 241,212                     | 59.10                      | 152,121               |
| Bansei Royal Resorts Hikkaduwa PLC     | -                      | -                           | -                          | -                     | 28,600                 | 306                         | 9.00                       | 257                   |
| Ceylon Hotels Corporation PLC          | 2,930                  | 75                          | 20.30                      | 59                    | 7,326                  | 187                         | 25.30                      | 185                   |
| Citrus Leisure PLC                     | 100,000                | 10,112                      | 9.50                       | 950                   | 100,000                | 10,112                      | 10.10                      | 1,010                 |
| Eden Hotel Lanka PLC                   | 903,293                | 45,541                      | 13.50                      | 12,194                | 903,293                | 45,541                      | 17.50                      | 15,808                |
| Galadari Hotels (Lanka) PLC            | 81,030                 | 1,219                       | 10.70                      | 867                   | 671,417                | 9,842                       | 10.50                      | 7,050                 |
| John Keells Hotels PLC                 | 968,487                | 15,728                      | 10.90                      | 10,557                | 968,487                | 15,728                      | 15.40                      | 14,915                |
| Marawila Resorts PLC                   | 1,059,168              | 5,438                       | 2.40                       | 2,542                 | 1,059,168              | 5,438                       | 2.80                       | 2,966                 |
| Palm Garden Hotels PLC                 | 147,472                | 10,928                      | 28.30                      | 4,173                 | 147,472                | 10,928                      | 38.10                      | 5,619                 |
| Tal Lanka Hotels PLC                   | 447,400                | 30,043                      | 25.20                      | 11,274                | 447,400                | 30,043                      | 25.30                      | 11,319                |
| Tangerine Beach Hotels PLC             | 50,000                 | 5,056                       | 59.90                      | 2,995                 | 50,000                 | 5,056                       | 78.30                      | 3,915                 |
| The Fortress Resorts PLC               | 1,461,100              | 50,506                      | 13.60                      | 19,871                | 1,461,100              | 50,506                      | 15.00                      | 21,917                |
| The Kingsbury PLC                      | 2,170,395              | 45,582                      | 15.20                      | 32,990                | 2,054,622              | 43,811                      | 17.50                      | 35,956                |
| Trans Asia Hotels PLC                  | 477,200                | 48,407                      | 94.00                      | 44,857                | 477,200                | 48,407                      | 94.40                      | 45,048                |
| Waskaduwa Beach Resort PLC             | 50,000                 | 306                         | 4.40                       | 220                   | -                      | -                           | -                          | -                     |
|                                        |                        | 796,149                     |                            | 435,925               |                        | 807,491                     |                            | 532,563               |
| <b>Investment Trusts</b>               |                        |                             |                            |                       |                        |                             |                            |                       |
| Ceylon Guardian Investment Trust PLC   | 107,847                | 32,747                      | 105.50                     | 11,378                | 107,847                | 32,747                      | 174.10                     | 18,776                |
| Ceylon Investment PLC                  | 537,370                | 82,017                      | 49.10                      | 26,385                | 537,370                | 82,017                      | 79.60                      | 42,775                |
| Guardian Capital Partners PLC          | 18,472                 | 1,006                       | 38.90                      | 719                   | 18,472                 | 1,006                       | 40.30                      | 744                   |
| Lanka Century Investments PLC          | 905,000                | 30,440                      | 11.80                      | 10,679                | 778,822                | 28,968                      | 12.10                      | 9,424                 |
| Renuka Holdings PLC                    | 1,318,262              | 43,905                      | 21.10                      | 27,815                | 1,288,262              | 43,110                      | 26.90                      | 34,655                |
|                                        |                        | 190,115                     |                            | 76,976                |                        | 187,848                     |                            | 106,374               |
| <b>Land and Property</b>               |                        |                             |                            |                       |                        |                             |                            |                       |
| Colombo Land & Development Company PLC | 2,700                  | 96                          | 26.90                      | 73                    | 231,283                | 9,274                       | 25.60                      | 5,921                 |
| Commercial Development Company PLC     | 4,649                  | 451                         | 75.10                      | 349                   | 4,649                  | 451                         | 92.60                      | 430                   |
| Equity One PLC                         | -                      | -                           | -                          | -                     | 26,664                 | 977                         | 48.70                      | 1,299                 |
| Overseas Realty (Ceylon) PLC           | 952,792                | 24,685                      | 20.00                      | 19,056                | 1,426,123              | 35,961                      | 23.20                      | 33,086                |
| Serendib Land PLC                      | -                      | -                           | -                          | -                     | 75                     | 172                         | 2,118.80                   | 159                   |
|                                        |                        | 25,232                      |                            | 19,478                |                        | 46,835                      |                            | 40,895                |

| As at 31 December                             | Group                  |                             |                            |                       |                        |                             |                            |                       |
|-----------------------------------------------|------------------------|-----------------------------|----------------------------|-----------------------|------------------------|-----------------------------|----------------------------|-----------------------|
|                                               | 2016                   |                             |                            |                       | 2015                   |                             |                            |                       |
|                                               | No. of Ordinary Shares | Cost of Investment LKR '000 | Market Price Per Share LKR | Market Value LKR '000 | No. of Ordinary Shares | Cost of Investment LKR '000 | Market Price Per Share LKR | Market Value LKR '000 |
| <b>Manufacturing</b>                          |                        |                             |                            |                       |                        |                             |                            |                       |
| Abans Electricals PLC                         | 196,303                | 26,807                      | 100.10                     | 19,650                | 17,880                 | 4,931                       | 135.40                     | 2,421                 |
| ACL Cables PLC                                | 1,005,246              | 45,924                      | 60.50                      | 60,817                | 424,199                | 35,942                      | 120.90                     | 51,286                |
| ACME Printing & Packaging PLC                 | 1,209,723              | 36,221                      | 6.20                       | 7,500                 | 1,209,723              | 36,221                      | 8.20                       | 9,920                 |
| AgStar PLC                                    | –                      | –                           | –                          | –                     | 418,173                | 2,834                       | 6.40                       | 2,676                 |
| Alumex PLC                                    | 100,529                | 2,037                       | 20.20                      | 2,031                 | –                      | –                           | –                          | –                     |
| Central Industries PLC                        | 118,156                | 4,812                       | 49.50                      | 5,849                 | 43,525                 | 3,345                       | 116.30                     | 5,062                 |
| Ceylon Grain Elevators PLC                    | 403,709                | 45,057                      | 82.90                      | 33,467                | 73,965                 | 16,298                      | 91.60                      | 6,775                 |
| Chevron Lubricants Lanka PLC                  | 837,966                | 154,550                     | 157.10                     | 131,644               | 418,983                | 154,550                     | 344.00                     | 144,130               |
| Dankotuwa Porcelain PLC                       | 630,902                | 6,301                       | 7.10                       | 4,479                 | 630,902                | 6,301                       | 8.50                       | 5,363                 |
| Kelani Tyres PLC                              | 1,131,213              | 84,083                      | 64.90                      | 73,416                | 918,780                | 69,290                      | 77.50                      | 71,205                |
| Lanka Cement PLC                              | 9,014,438              | 78,876                      | 5.90                       | 53,185                | 9,014,438              | 78,876                      | 7.90                       | 71,214                |
| Lanka Tiles PLC                               | 1,021,453              | 136,302                     | 95.90                      | 97,957                | 1,019,453              | 136,081                     | 110.90                     | 113,058               |
| Lanka Walltiles PLC                           | 53,046                 | 4,890                       | 99.70                      | 5,289                 | 212,014                | 19,546                      | 109.80                     | 23,279                |
| Orient Garments PLC                           | 82,150                 | 2,568                       | 7.00                       | 575                   | 280,877                | 8,780                       | 7.30                       | 2,050                 |
| Pelwatte Sugar Industries PLC                 | –                      | –                           | –                          | –                     | 68,400                 | 2,925                       | 23.50                      | 1,607                 |
| Piramal Glass Ceylon PLC                      | 4,088,600              | 37,427                      | 5.30                       | 21,670                | 4,088,600              | 37,427                      | 6.10                       | 24,940                |
| Royal Ceramics Lanka PLC                      | 152,294                | 17,962                      | 115.50                     | 17,590                | 1,301,830              | 153,603                     | 111.20                     | 144,762               |
| Sierra Cables PLC                             | 1,519,525              | 6,622                       | 3.30                       | 5,014                 | 1,443,758              | 6,401                       | 4.00                       | 5,775                 |
| Swisstek (Ceylon) PLC                         | 216,709                | 15,317                      | 68.90                      | 14,931                | –                      | –                           | –                          | –                     |
| Teejay Lanka PLC                              | 565,103                | 10,638                      | 42.80                      | 24,186                | 633,984                | 12,041                      | 35.50                      | 22,506                |
| Tokyo Cement Company (Lanka) PLC – Voting     | 200,000                | 11,911                      | 59.20                      | 11,840                | 1,191,932              | 49,945                      | 39.50                      | 47,081                |
| Tokyo Cement Company (Lanka) PLC – Non-voting | 203,563                | 8,651                       | 51.50                      | 10,483                | 25,000                 | 1,043                       | 39.50                      | 988                   |
|                                               |                        | 736,956                     |                            | 601,573               |                        | 836,380                     |                            | 756,098               |
| <b>Motors</b>                                 |                        |                             |                            |                       |                        |                             |                            |                       |
| C M Holdings PLC                              | 50,857                 | 17,422                      | 85.20                      | 4,333                 | 50,857                 | 17,422                      | 110.20                     | 5,604                 |
| Diesel & Motor Engineering PLC                | 77,935                 | 84,514                      | 581.00                     | 45,280                | 77,935                 | 84,514                      | 615.50                     | 47,969                |
| Sathosa Motors PLC                            | 16,000                 | 6,198                       | 298.70                     | 4,779                 | 16,000                 | 6,198                       | 312.00                     | 4,992                 |
| United Motors Lanka PLC                       | 404,478                | 41,051                      | 86.00                      | 34,785                | 373,182                | 38,127                      | 91.90                      | 34,295                |
|                                               |                        | 149,185                     |                            | 89,177                |                        | 146,261                     |                            | 92,860                |
| <b>Oil Palms</b>                              |                        |                             |                            |                       |                        |                             |                            |                       |
| Bukit Darah PLC                               | 119,257                | 83,965                      | 280.00                     | 33,392                | 119,257                | 83,965                      | 511.20                     | 60,964                |
|                                               |                        | 83,965                      |                            | 33,392                |                        | 83,965                      |                            | 60,964                |
| <b>Plantations</b>                            |                        |                             |                            |                       |                        |                             |                            |                       |
| Agalawatte Plantations PLC                    | 45,600                 | 4,608                       | 17.50                      | 798                   | 52,830                 | 4,825                       | 20.50                      | 1,083                 |
| Balangoda Plantations PLC                     | 527,486                | 17,180                      | 12.20                      | 6,435                 | 527,486                | 17,180                      | 17.60                      | 9,284                 |
| Elpitiya Plantations PLC                      | –                      | –                           | –                          | –                     | 223,646                | 5,623                       | 21.30                      | 4,764                 |
| Horana Plantations PLC                        | 513,000                | 43,752                      | 17.90                      | 9,183                 | 513,000                | 43,752                      | 21.40                      | 10,978                |
| Kahawatte Plantations PLC                     | 838,629                | 33,921                      | 37.70                      | 31,616                | 838,629                | 33,921                      | 37.20                      | 31,198                |
| Kegalle Plantations PLC                       | 50,600                 | 13,702                      | 48.50                      | 2,454                 | 50,600                 | 13,702                      | 66.50                      | 3,365                 |
| Kotagala Plantations PLC                      | 554,109                | 37,353                      | 8.90                       | 4,932                 | 554,109                | 37,353                      | 17.80                      | 9,863                 |
| Namunukula Plantations PLC                    | 80,000                 | 12,458                      | 73.70                      | 5,896                 | 80,000                 | 12,458                      | 60.50                      | 4,840                 |
| Watawala Plantations PLC                      | 350,100                | 10,998                      | 19.70                      | 6,897                 | 350,100                | 10,998                      | 24.30                      | 8,507                 |
|                                               |                        | 173,972                     |                            | 68,211                |                        | 179,812                     |                            | 83,882                |



| As at 31 December            | Group                  |                             |                            |                       |                        |                             |                            |                       |
|------------------------------|------------------------|-----------------------------|----------------------------|-----------------------|------------------------|-----------------------------|----------------------------|-----------------------|
|                              | 2016                   |                             |                            |                       | 2015                   |                             |                            |                       |
|                              | No. of Ordinary Shares | Cost of Investment LKR '000 | Market Price Per Share LKR | Market Value LKR '000 | No. of Ordinary Shares | Cost of Investment LKR '000 | Market Price Per Share LKR | Market Value LKR '000 |
| <b>Power and Energy</b>      |                        |                             |                            |                       |                        |                             |                            |                       |
| Lanka IOC PLC                | –                      | –                           | –                          | –                     | 250,000                | 11,399                      | 37.10                      | 9,275                 |
| Laugfs Gas PLC – Voting      | 168,727                | 4,689                       | 33.30                      | 5,619                 | 168,727                | 4,689                       | 41.50                      | 7,002                 |
| Laugfs Gas PLC – Non-voting  | 3,446,626              | 143,747                     | 32.90                      | 113,394               | 3,445,538              | 143,739                     | 38.10                      | 131,275               |
| Lotus Hydro Power PLC        | 173,194                | 1,427                       | 6.60                       | 1,143                 | 173,194                | 1,427                       | 7.00                       | 1,212                 |
| Panasian Power PLC           | 1,029,200              | 6,407                       | 3.00                       | 3,088                 | 1,029,200              | 6,407                       | 3.50                       | 3,602                 |
| Resus Energy PLC             | 1,290,437              | 49,020                      | 22.30                      | 28,777                | 1,270,112              | 49,020                      | 25.00                      | 31,753                |
| Vallibel Power Erathna PLC   | 717,050                | 6,129                       | 8.80                       | 6,310                 | 1,167,050              | 10,278                      | 8.90                       | 10,387                |
|                              |                        | 211,419                     |                            | 158,331               |                        | 226,959                     |                            | 194,506               |
| <b>Services</b>              |                        |                             |                            |                       |                        |                             |                            |                       |
| Ceylon Tea Brokers PLC       | 192,655                | 937                         | 3.90                       | 751                   | 192,655                | 937                         | 3.70                       | 713                   |
| John Keells PLC              | 250,200                | 22,759                      | 57.00                      | 14,261                | 250,200                | 22,759                      | 82.10                      | 20,541                |
| Kalamazoo Systems PLC        | 135                    | 172                         | 804.80                     | 109                   | 135                    | 172                         | 2,600.10                   | 351                   |
| Paragon Ceylon PLC           | –                      | –                           | –                          | –                     | 20                     | 19                          | 975.10                     | 20                    |
|                              |                        | 23,868                      |                            | 15,121                |                        | 23,887                      |                            | 21,625                |
| <b>Stores and Supplies</b>   |                        |                             |                            |                       |                        |                             |                            |                       |
| Hunters & Company PLC        | 27,100                 | 21,923                      | 416.00                     | 11,274                | 27,100                 | 21,923                      | 420.00                     | 11,382                |
|                              |                        | 21,923                      |                            | 11,274                |                        | 21,923                      |                            | 11,382                |
| <b>Telecommunications</b>    |                        |                             |                            |                       |                        |                             |                            |                       |
| Dialog Axiata PLC            | 164,408                | 1,819                       | 10.50                      | 1,726                 | 985,773                | 11,174                      | 10.70                      | 10,548                |
| Sri Lanka Telecom PLC        | 214,000                | 7,496                       | 36.00                      | 7,704                 | 214,000                | 7,496                       | 47.00                      | 10,058                |
|                              |                        | 9,315                       |                            | 9,430                 |                        | 18,670                      |                            | 20,606                |
| <b>Trading</b>               |                        |                             |                            |                       |                        |                             |                            |                       |
| Brown & Company PLC          | 814,794                | 133,566                     | 84.00                      | 68,443                | 814,794                | 133,566                     | 101.10                     | 82,376                |
| Ceylon & Foreign Trades PLC  | 830,100                | 8,533                       | 5.30                       | 4,400                 | 833,695                | 8,560                       | 6.30                       | 5,252                 |
| C. W. Mackie PLC             | 54,890                 | 2,959                       | 54.70                      | 3,002                 | 78,505                 | 4,457                       | 57.90                      | 4,545                 |
| Eastern Merchants PLC        | 257,922                | 2,179                       | 6.20                       | 1,599                 | 132,667                | 1,244                       | 8.80                       | 1,167                 |
| Tess Agro PLC                | –                      | –                           | –                          | –                     | 430,298                | 770                         | 1.60                       | 688                   |
| Singer (Sri Lanka) PLC       | 37,481                 | 4,247                       | 126.20                     | 4,730                 | 29,408                 | 3,327                       | 137.90                     | 4,055                 |
|                              |                        | 151,484                     |                            | 82,174                |                        | 151,924                     |                            | 98,083                |
| <b>Total quoted equities</b> |                        | <b>5,239,084</b>            |                            | <b>3,426,824</b>      |                        | <b>5,567,374</b>            |                            | <b>4,336,272</b>      |

## 24.2 Quoted Debt Securities

| As at 31 December                   | Group             |                             |                                |                       |                   |                             |                                |                       |
|-------------------------------------|-------------------|-----------------------------|--------------------------------|-----------------------|-------------------|-----------------------------|--------------------------------|-----------------------|
|                                     | 2016              |                             |                                |                       | 2015              |                             |                                |                       |
|                                     | No. of Debentures | Cost of Investment LKR '000 | Market Price Per Debenture LKR | Market Value LKR '000 | No. of Debentures | Cost of Investment LKR '000 | Market Price Per Debenture LKR | Market Value LKR '000 |
| <b>Listed Debentures</b>            |                   |                             |                                |                       |                   |                             |                                |                       |
| Commercial Credit and Finance PLC   | 20,000            | 2,141                       | 111.76                         | 2,235                 | 20,000            | 2,141                       | 120.70                         | 2,414                 |
| <b>Total quoted debt securities</b> |                   | <b>2,141</b>                |                                | <b>2,235</b>          | <b>20,000</b>     |                             |                                | <b>2,414</b>          |

## 25. Financial Investments – Loans and Receivables

### Accounting Policy →

Financial investments – Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Those are initially measured at fair value and subsequently measured amortised cost using the Effective Interest Rate (EIR), less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortisation is included in 'Interest income' (Note 8.1) in the Statement of Profit or Loss. The loss arising from impairment are recognised in 'Impairment charge/(reversal) for loans and other losses' (Note 13) in the Statement of Profit or Loss.

| As at 31 December                                          | Bank               |                    | Group              |                    |
|------------------------------------------------------------|--------------------|--------------------|--------------------|--------------------|
|                                                            | 2016<br>LKR '000   | 2015<br>LKR '000   | 2016<br>LKR '000   | 2015<br>LKR '000   |
| Sri Lanka Development Bonds [Note 25.1]                    | 162,734,051        | 211,000,942        | 162,734,051        | 211,000,942        |
| Government of Sri Lanka Restructuring Bonds [Note 25.2]    | 8,968,474          | 8,968,474          | 8,968,474          | 8,968,474          |
| Corporate Bonds                                            | –                  | 1,715,949          | –                  | 1,715,949          |
| Debentures [Note 25.3]                                     | 5,225,215          | 3,300,563          | 5,070,645          | 3,173,390          |
| Trust certificates [Note 25.4]                             | 965,457            | –                  | 965,457            | –                  |
| Government securities – Local                              | 5,492,644          | –                  | 5,492,644          | –                  |
| Government securities – Other countries                    | 8,488,797          | 7,575,340          | 8,488,797          | 7,575,340          |
| Other investments                                          | –                  | –                  | 264,014            | 569,647            |
| <b>Total financial investments – Loans and receivables</b> | <b>191,874,638</b> | <b>232,561,268</b> | <b>191,984,082</b> | <b>233,003,742</b> |

### 25.1 Sri Lanka Development Bonds (US Dollar Bonds)

| As at 31 December                    | Date of Maturity | Bank/Group                     |                            |                                |                            |
|--------------------------------------|------------------|--------------------------------|----------------------------|--------------------------------|----------------------------|
|                                      |                  | 2016                           |                            | 2015                           |                            |
|                                      |                  | Cost of Investment<br>LKR '000 | Amortised Cost<br>LKR '000 | Cost of Investment<br>LKR '000 | Amortised Cost<br>LKR '000 |
| 6 months LIBOR plus 315 basis points | 21.01.2016       | –                              | –                          | 18,007,788                     | 18,303,657                 |
| 6 months LIBOR plus 400 basis points | 26.03.2016       | –                              | –                          | 2,881,246                      | 2,928,978                  |
| 6 months LIBOR plus 325 basis points | 18.08.2016       | –                              | –                          | 8,643,738                      | 8,766,696                  |
| 6 months LIBOR plus 330 basis points | 18.08.2016       | –                              | –                          | 10,804,673                     | 10,960,401                 |
| 6 months LIBOR plus 335 basis points | 18.08.2016       | –                              | –                          | 3,601,558                      | 3,654,144                  |
| 6 months LIBOR plus 340 basis points | 18.08.2016       | –                              | –                          | 3,601,558                      | 3,654,821                  |
| 6 months LIBOR plus 335 basis points | 19.10.2016       | –                              | –                          | 18,007,788                     | 18,150,059                 |
| 6 months LIBOR plus 340 basis points | 19.10.2016       | –                              | –                          | 13,974,043                     | 14,085,865                 |
| 6 months LIBOR plus 340 basis points | 03.11.2016       | –                              | –                          | 4,321,869                      | 4,350,598                  |
| 6 months LIBOR plus 350 basis points | 03.11.2016       | –                              | –                          | 2,881,246                      | 2,900,880                  |
| 6 months LIBOR plus 340 basis points | 21.01.2017       | 3,745,000                      | 3,820,023                  | –                              | –                          |
| 6 months LIBOR plus 345 basis points | 21.01.2017       | 3,745,000                      | 3,820,874                  | –                              | –                          |
| 6 months LIBOR plus 350 basis points | 21.01.2017       | 7,490,000                      | 7,643,450                  | –                              | –                          |
| 6 months LIBOR plus 360 basis points | 17.03.2017       | 749,000                        | 759,649                    | 720,312                        | 729,054                    |
| 6 months LIBOR plus 365 basis points | 17.03.2017       | 1,498,000                      | 1,519,516                  | 1,440,623                      | 1,458,318                  |
| 6 months LIBOR plus 375 basis points | 17.03.2017       | 3,745,000                      | 3,799,882                  | –                              | –                          |
| 6 months LIBOR plus 380 basis points | 17.03.2017       | 1,498,000                      | 1,520,171                  | –                              | –                          |
| 6 months LIBOR plus 390 basis points | 17.03.2017       | 1,498,000                      | 1,520,607                  | –                              | –                          |



| As at 31 December                        | Date of Maturity | Bank/Group                     |                            |                                |                            |
|------------------------------------------|------------------|--------------------------------|----------------------------|--------------------------------|----------------------------|
|                                          |                  | 2016                           |                            | 2015                           |                            |
|                                          |                  | Cost of Investment<br>LKR '000 | Amortised Cost<br>LKR '000 | Cost of Investment<br>LKR '000 | Amortised Cost<br>LKR '000 |
| 6 months LIBOR plus 400 basis points     | 17.03.2017       | 749,000                        | 760,522                    | -                              | -                          |
| 6 months LIBOR plus 405 basis points     | 17.03.2017       | 1,498,000                      | 1,521,262                  | -                              | -                          |
| 6 months LIBOR plus 410 basis points     | 17.03.2017       | 1,498,000                      | 1,521,480                  | -                              | -                          |
| 6 months LIBOR plus 435 basis points     | 17.03.2017       | 1,498,000                      | 1,522,570                  | -                              | -                          |
| 6 months LIBOR plus 440 basis points     | 17.03.2017       | 1,498,000                      | 1,522,788                  | -                              | -                          |
| 6 months LIBOR plus 450 basis points     | 17.03.2017       | 2,996,000                      | 3,046,449                  | -                              | -                          |
| 6 months LIBOR plus 455 basis points     | 17.03.2017       | 1,498,000                      | 1,523,442                  | -                              | -                          |
| 6 months LIBOR plus 460 basis points     | 17.03.2017       | 749,000                        | 761,830                    | -                              | -                          |
| 6 months LIBOR plus 345 basis points     | 30.04.2017       | 3,745,000                      | 3,775,137                  | 3,601,558                      | 3,626,500                  |
| 6 months LIBOR plus 350 basis points     | 30.04.2017       | 3,745,000                      | 3,775,455                  | 3,601,558                      | 3,626,811                  |
| 6 months LIBOR plus 325 basis points     | 30.06.2017       | 2,247,000                      | 2,247,282                  | 2,160,935                      | 2,161,419                  |
| 6 months LIBOR plus 375 basis points     | 30.06.2017       | 3,745,000                      | 3,745,521                  | 3,601,558                      | 3,602,463                  |
| 6 months LIBOR plus 375 basis points     | 16.03.2018       | 4,494,000                      | 4,560,484                  | 4,321,869                      | 4,376,755                  |
| 6 months LIBOR plus 415 basis points     | 01.07.2018       | 105,319,886                    | 108,045,657                | 101,285,881                    | 103,663,523                |
| <b>Total Sri Lanka Development Bonds</b> |                  | <b>159,247,886</b>             | <b>162,734,051</b>         | <b>207,459,801</b>             | <b>211,000,942</b>         |

## 25.2 Government of Sri Lanka Restructuring Bonds

| As at 31 December                                        | Rate<br>% | Date of Issue | Date of Maturity | Bank/Group                     |                            |                                |                            |
|----------------------------------------------------------|-----------|---------------|------------------|--------------------------------|----------------------------|--------------------------------|----------------------------|
|                                                          |           |               |                  | 2016                           |                            | 2015                           |                            |
|                                                          |           |               |                  | Cost of Investment<br>LKR '000 | Carrying Value<br>LKR '000 | Cost of Investment<br>LKR '000 | Carrying Value<br>LKR '000 |
| For recapitalisation purposes                            | 12.00     | 24.09.1993    | 24.03.2023       | 4,780,000                      | 5,015,714                  | 4,780,000                      | 5,015,714                  |
| For settlement of loans                                  | 12.00     | 24.03.1993    | 24.03.2023       | 3,767,000                      | 3,952,760                  | 3,767,000                      | 3,952,760                  |
| <b>Total Government of Sri Lanka Restructuring Bonds</b> |           |               |                  | <b>8,547,000</b>               | <b>8,968,474</b>           | <b>8,547,000</b>               | <b>8,968,474</b>           |

## 25.3 Debentures

| As at 31 December                        | Date of Maturity | Coupon Rate<br>% | Bank              |                                |                            |                   |                                |                            |
|------------------------------------------|------------------|------------------|-------------------|--------------------------------|----------------------------|-------------------|--------------------------------|----------------------------|
|                                          |                  |                  | 2016              |                                |                            | 2015              |                                |                            |
|                                          |                  |                  | No. of Debentures | Cost of Investment<br>LKR '000 | Amortised Cost<br>LKR '000 | No. of Debentures | Cost of Investment<br>LKR '000 | Amortised Cost<br>LKR '000 |
| Abans PLC                                | 20.12.2016       | 14.00            | -                 | -                              | -                          | 720,700           | 72,070                         | 77,188                     |
| Access Engineering PLC                   | 18.11.2020       | 10.25            | 2,000,000         | 200,000                        | 202,370                    | 2,000,000         | 200,000                        | 202,369                    |
| Central Finance Company PLC              | 17.06.2016       | 14.25            | -                 | -                              | -                          | 8,800             | 8,800                          | 9,113                      |
| Citizen Development Business Finance PLC | 03.06.2021       | 12.75            | 500,000           | 50,000                         | 50,482                     | -                 | -                              | -                          |
| Commercial Bank of Ceylon PLC            | 08.03.2021       | 10.75            | 1,000,000         | 100,000                        | 103,326                    | -                 | -                              | -                          |
| Commercial Bank of Ceylon PLC            | 27.10.2021       | 12.00            | 779,600           | 77,960                         | 79,569                     | -                 | -                              | -                          |
| Commercial Credit and Finance PLC        | 01.06.2020       | 10.50            | 530,519           | 53,052                         | 54,447                     | 530,519           | 53,052                         | 54,443                     |
| Commercial Credit and Finance PLC        | 10.12.2020       | 10.40            | 3,665,600         | 366,560                        | 368,706                    | 3,665,600         | 366,560                        | 368,704                    |
| Commercial Leasing & Finance PLC         | 21.07.2020       | 9.75             | 750,000           | 75,000                         | 82,292                     | 750,000           | 75,000                         | 78,196                     |
| DFCC Bank PLC                            | 18.03.2018       | 10.63            | 2,500,000         | 250,000                        | 270,732                    | -                 | -                              | -                          |

| As at 31 December                        | Date of Maturity | Coupon Rate % | Bank              |                             |                         |                   |                             |                         |
|------------------------------------------|------------------|---------------|-------------------|-----------------------------|-------------------------|-------------------|-----------------------------|-------------------------|
|                                          |                  |               | 2016              |                             |                         | 2015              |                             |                         |
|                                          |                  |               | No. of Debentures | Cost of Investment LKR '000 | Amortised Cost LKR '000 | No. of Debentures | Cost of Investment LKR '000 | Amortised Cost LKR '000 |
| DFCC Bank PLC                            | 10.06.2020       | 9.40          | 332,100           | 33,210                      | 34,918                  | 332,100           | 33,210                      | 34,919                  |
| DFCC Bank PLC                            | 09.11.2021       | 12.15         | 1,892,800         | 189,280                     | 192,397                 | -                 | -                           | -                       |
| First Capital Treasuries PLC             | 05.02.2020       | 9.50          | 500,000           | 50,000                      | 54,262                  | 500,000           | 50,000                      | 53,304                  |
| Hatton National Bank PLC                 | 28.03.2021       | 11.25         | 1,000,000         | 100,000                     | 108,458                 | -                 | -                           | -                       |
| Hatton National Bank PLC                 | 01.11.2023       | 13.00         | 193,300           | 19,330                      | 19,722                  | -                 | -                           | -                       |
| Hayleys PLC                              | 09.07.2016       | 14.25         | -                 | -                           | -                       | 57,700            | 57,700                      | 59,754                  |
| Hayleys PLC                              | 31.05.2019       | 11.99         | 1,000,000         | 100,000                     | 100,994                 | -                 | -                           | -                       |
| HDFC Bank of Sri Lanka                   | 23.10.2017       | 15.00         | 779,400           | 77,940                      | 80,895                  | 779,400           | 77,940                      | 80,889                  |
| HDFC Bank of Sri Lanka                   | 20.11.2020       | 10.50         | 2,000,000         | 200,000                     | 202,311                 | 2,000,000         | 200,000                     | 202,312                 |
| Hemas Holdings PLC                       | 29.04.2019       | 11.00         | 173,500           | 17,350                      | 17,825                  | 173,500           | 17,350                      | 17,823                  |
| Kotagala Plantations PLC                 | 26.05.2018       | 14.25         | 165,975           | 16,598                      | 17,800                  | 165,975           | 16,598                      | 17,802                  |
| Kotagala Plantations PLC                 | 26.05.2019       | 14.50         | 165,975           | 16,598                      | 17,814                  | 165,975           | 16,598                      | 17,812                  |
| Kotagala Plantations PLC                 | 26.05.2020       | 14.75         | 165,975           | 16,598                      | 17,830                  | 165,975           | 16,598                      | 17,828                  |
| Kotagala Plantations PLC                 | 26.05.2021       | 15.00         | 165,975           | 16,598                      | 17,850                  | 165,975           | 16,598                      | 17,848                  |
| Lanka Orix Leasing Company PLC           | 24.11.2019       | 9.00          | 1,000,000         | 100,000                     | 102,246                 | 1,000,000         | 100,000                     | 102,235                 |
| LB Finance PLC                           | 05.12.2016       | 12.30         | -                 | -                           | -                       | 1,000,000         | 100,000                     | 100,858                 |
| LB Finance PLC                           | 28.11.2018       | 15.00         | 445,200           | 44,520                      | 50,984                  | 445,200           | 44,520                      | 50,852                  |
| Merchant Bank of Sri Lanka & Finance PLC | 27.03.2018       | 16.70         | 938,600           | 93,860                      | 97,829                  | 938,600           | 93,860                      | 97,839                  |
| Merchant Bank of Sri Lanka & Finance PLC | 12.11.2019       | 9.00          | 1,135,200         | 113,520                     | 123,765                 | 1,135,200         | 113,520                     | 123,714                 |
| MTD Walkers PLC                          | 30.09.2018       | 9.75          | 500,000           | 50,000                      | 51,207                  | 500,000           | 50,000                      | 51,214                  |
| National Development Bank PLC            | 19.12.2018       | 13.00         | 542,700           | 54,270                      | 57,836                  | 542,700           | 54,270                      | 57,836                  |
| National Development Bank PLC            | 24.06.2020       | 9.40          | 534,500           | 53,450                      | 58,463                  | 534,500           | 53,450                      | 56,021                  |
| Nawaloka Hospitals PLC                   | 30.09.2019       | 14.15         | 1,000,000         | 100,000                     | 112,405                 | 1,000,000         | 100,000                     | 115,071                 |
| Orient Finance PLC                       | 26.12.2019       | 9.05          | 500,000           | 50,000                      | 52,275                  | 500,000           | 50,000                      | 50,004                  |
| Pan Asia Banking Corporation PLC         | 29.09.2019       | 10.00         | 486,112           | 48,611                      | 49,817                  | 486,112           | 48,611                      | 49,835                  |
| People's Leasing & Finance PLC           | 23.09.2018       | 9.63          | 73,500            | 7,350                       | 8,060                   | 73,500            | 7,350                       | 8,055                   |
| People's Leasing & Finance PLC           | 12.11.2019       | 9.60          | 945,000           | 94,500                      | 95,673                  | 945,000           | 94,500                      | 95,672                  |
| People's Leasing & Finance PLC           | 16.11.2021       | 12.60         | 2,000,000         | 200,000                     | 203,036                 | -                 | -                           | -                       |
| Regional Development Bank                | 29.01.2020       | 9.00          | 4,250,000         | 425,000                     | 460,193                 | 4,250,000         | 425,000                     | 459,980                 |
| Richard Pieris and Company PLC           | 16.05.2017       | 10.75         | 156,500           | 15,650                      | 16,069                  | 156,500           | 15,650                      | 16,066                  |
| Sampath Bank PLC                         | 14.12.2019       | 8.25          | 1,000,000         | 100,000                     | 108,279                 | 1,000,000         | 100,000                     | 108,246                 |
| Sampath Bank PLC                         | 18.11.2020       | 9.90          | 898,400           | 89,840                      | 90,869                  | 898,400           | 89,840                      | 90,869                  |
| Sampath Bank PLC                         | 10.06.2021       | 12.75         | 1,500,000         | 150,000                     | 160,405                 | -                 | -                           | -                       |
| Sanasa Development Bank PLC              | 31.12.2020       | 10.30         | 1,500,000         | 150,000                     | 157,811                 | -                 | -                           | -                       |
| Sanasa Development Bank PLC              | 31.12.2020       | 10.00         | 1,500,000         | 150,000                     | 157,583                 | -                 | -                           | -                       |
| Senkadagala Finance PLC                  | 27.05.2016       | 17.00         | -                 | -                           | -                       | 181,097           | 18,110                      | 18,880                  |
| Senkadagala Finance PLC                  | 09.11.2018       | 13.25         | 320,000           | 32,000                      | 32,579                  | -                 | -                           | -                       |
| Senkadagala Finance PLC                  | 10.12.2018       | 15.00         | 817,653           | 81,765                      | 82,359                  | 817,653           | 81,765                      | 82,444                  |
| Senkadagala Finance PLC                  | 10.11.2019       | 12.50         | 320,000           | 32,000                      | 32,547                  | -                 | -                           | -                       |
| Seylan Bank PLC                          | 22.12.2019       | 8.60          | 1,500,000         | 150,000                     | 150,271                 | 1,500,000         | 150,000                     | 150,271                 |
| Seylan Bank PLC                          | 15.07.2021       | 13.00         | 451,600           | 45,160                      | 47,872                  | -                 | -                           | -                       |
| Singer Finance PLC                       | 06.04.2020       | 12.00         | 1,000,000         | 100,000                     | 102,784                 | -                 | -                           | -                       |
| Singer (Sri Lanka) PLC                   | 07.06.2018       | 8.60          | 500,000           | 50,000                      | 52,162                  | 500,000           | 50,000                      | 52,167                  |
| Singer (Sri Lanka) PLC                   | 14.03.2019       | 10.50         | 2,500,000         | 250,000                     | 257,788                 | -                 | -                           | -                       |



| As at 31 December       | Date of Maturity | Coupon Rate % | Bank              |                             |                         |                   |                             |                         |
|-------------------------|------------------|---------------|-------------------|-----------------------------|-------------------------|-------------------|-----------------------------|-------------------------|
|                         |                  |               | 2016              |                             |                         | 2015              |                             |                         |
|                         |                  |               | No. of Debentures | Cost of Investment LKR '000 | Amortised Cost LKR '000 | No. of Debentures | Cost of Investment LKR '000 | Amortised Cost LKR '000 |
| Singer (Sri Lanka) PLC  | 17.06.2020       | 9.95          | 309,300           | 30,930                      | 34,006                  | 309,300           | 30,930                      | 32,562                  |
| Siyapatha Finance PLC   | 20.09.2019       | 13.00         | 1,000,000         | 100,000                     | 103,474                 | -                 | -                           | -                       |
| Softlogic Finance PLC   | 29.08.2019       | 10.00         | 190,900           | 19,090                      | 19,568                  | 190,900           | 19,090                      | 19,568                  |
| <b>Total debentures</b> |                  |               | <b>5,007,590</b>  | <b>5,225,215</b>            |                         | <b>3,168,540</b>  | <b>3,300,563</b>            |                         |

| As at 31 December                        | Date of Maturity | Coupon Rate % | Group             |                             |                         |                   |                             |                         |
|------------------------------------------|------------------|---------------|-------------------|-----------------------------|-------------------------|-------------------|-----------------------------|-------------------------|
|                                          |                  |               | 2016              |                             |                         | 2015              |                             |                         |
|                                          |                  |               | No. of Debentures | Cost of Investment LKR '000 | Amortised Cost LKR '000 | No. of Debentures | Cost of Investment LKR '000 | Amortised Cost LKR '000 |
| Abans PLC                                | 20.12.2016       | 14.00         | -                 | -                           | -                       | 720,700           | 72,070                      | 77,188                  |
| Access Engineering PLC                   | 18.11.2020       | 10.25         | 2,000,000         | 200,000                     | 202,370                 | 2,000,000         | 200,000                     | 202,369                 |
| Central Finance Company PLC              | 17.06.2016       | 14.25         | -                 | -                           | -                       | 8,800             | 8,800                       | 9,113                   |
| Citizen Development Business Finance PLC | 03.06.2021       | 12.75         | 500,000           | 50,000                      | 50,482                  | -                 | -                           | -                       |
| Commercial Bank of Ceylon PLC            | 08.03.2021       | 10.75         | 1,000,000         | 100,000                     | 103,326                 | -                 | -                           | -                       |
| Commercial Bank of Ceylon PLC            | 27.10.2021       | 12.00         | 779,600           | 77,960                      | 79,569                  | -                 | -                           | -                       |
| Commercial Credit and Finance PLC        | 01.06.2020       | 10.50         | 530,519           | 53,052                      | 54,447                  | 530,519           | 53,052                      | 54,443                  |
| Commercial Credit and Finance PLC        | 10.12.2020       | 10.40         | 3,665,600         | 366,560                     | 368,706                 | 3,665,600         | 366,560                     | 368,704                 |
| Commercial Leasing & Finance PLC         | 21.07.2020       | 9.75          | 750,000           | 75,000                      | 82,292                  | 750,000           | 75,000                      | 78,196                  |
| DFCC Bank PLC                            | 18.03.2018       | 10.63         | 2,500,000         | 250,000                     | 270,732                 | -                 | -                           | -                       |
| DFCC Bank PLC                            | 10.06.2020       | 9.40          | 332,100           | 33,210                      | 34,918                  | 332,100           | 33,210                      | 34,919                  |
| DFCC Bank PLC                            | 09.11.2021       | 12.15         | 1,892,800         | 189,280                     | 192,397                 | -                 | -                           | -                       |
| First Capital Treasuries PLC             | 05.02.2020       | 9.50          | 500,000           | 50,000                      | 54,262                  | 500,000           | 50,000                      | 53,304                  |
| Hatton National Bank PLC                 | 28.03.2021       | 11.25         | 1,000,000         | 100,000                     | 108,458                 | -                 | -                           | -                       |
| Hatton National Bank PLC                 | 01.11.2023       | 13.00         | 193,300           | 19,330                      | 19,722                  | -                 | -                           | -                       |
| Hayleys PLC                              | 09.07.2016       | 14.25         | -                 | -                           | -                       | 57,700            | 57,700                      | 59,754                  |
| Hayleys PLC                              | 31.05.2019       | 11.99         | 1,000,000         | 100,000                     | 100,994                 | -                 | -                           | -                       |
| HDFC Bank of Sri Lanka                   | 23.10.2017       | 15.00         | 779,400           | 77,940                      | 80,895                  | 779,400           | 77,940                      | 80,889                  |
| HDFC Bank of Sri Lanka                   | 20.11.2020       | 10.50         | 2,000,000         | 200,000                     | 202,311                 | 2,000,000         | 200,000                     | 202,312                 |
| Hemas Holdings PLC                       | 29.04.2019       | 11.00         | 173,500           | 17,350                      | 17,825                  | 173,500           | 17,350                      | 17,823                  |
| Kotagala Plantations PLC                 | 26.05.2018       | 14.25         | 165,975           | 16,598                      | 17,800                  | 165,975           | 16,598                      | 17,802                  |
| Kotagala Plantations PLC                 | 26.05.2019       | 14.50         | 165,975           | 16,598                      | 17,814                  | 165,975           | 16,598                      | 17,812                  |
| Kotagala Plantations PLC                 | 26.05.2020       | 14.75         | 165,975           | 16,598                      | 17,830                  | 165,975           | 16,598                      | 17,828                  |
| Kotagala Plantations PLC                 | 26.05.2021       | 15.00         | 165,975           | 16,598                      | 17,850                  | 165,975           | 16,598                      | 17,848                  |
| Lanka Orix Leasing Company PLC           | 24.11.2019       | 9.00          | 1,000,000         | 100,000                     | 102,246                 | 1,000,000         | 100,000                     | 102,235                 |
| LB Finance PLC                           | 05.12.2016       | 12.30         | -                 | -                           | -                       | 1,000,000         | 100,000                     | 100,858                 |
| LB Finance PLC                           | 28.11.2018       | 15.00         | 445,200           | 44,520                      | 50,984                  | 445,200           | 44,520                      | 50,852                  |
| MTD Walkers PLC                          | 30.09.2018       | 9.75          | 500,000           | 50,000                      | 51,207                  | 500,000           | 50,000                      | 51,214                  |
| National Development Bank PLC            | 19.12.2018       | 13.00         | 542,700           | 54,270                      | 57,836                  | 542,700           | 54,270                      | 57,836                  |
| National Development Bank PLC            | 24.06.2020       | 9.40          | 534,500           | 53,450                      | 58,463                  | 534,500           | 53,450                      | 56,021                  |
| Nawaloka Hospitals PLC                   | 30.09.2019       | 14.15         | 1,000,000         | 100,000                     | 112,405                 | 1,000,000         | 100,000                     | 115,071                 |



| As at 31 December                | Date of Maturity | Coupon Rate % | Group             |                             |                         |                   |                             |                         |
|----------------------------------|------------------|---------------|-------------------|-----------------------------|-------------------------|-------------------|-----------------------------|-------------------------|
|                                  |                  |               | 2016              |                             |                         | 2015              |                             |                         |
|                                  |                  |               | No. of Debentures | Cost of Investment LKR '000 | Amortised Cost LKR '000 | No. of Debentures | Cost of Investment LKR '000 | Amortised Cost LKR '000 |
| Orient Finance PLC               | 26.12.2019       | 9.05          | 500,000           | 50,000                      | 52,275                  | 500,000           | 50,000                      | 50,004                  |
| Pan Asia Banking Corporation PLC | 29.09.2019       | 10.00         | 486,112           | 48,611                      | 49,817                  | 486,112           | 48,611                      | 49,835                  |
| People's Leasing & Finance PLC   | 26.03.2018       | 17.00         | 500,000           | 50,000                      | 50,050                  | 500,000           | 50,000                      | 58,481                  |
| People's Leasing & Finance PLC   | 23.09.2018       | 9.63          | 73,500            | 7,350                       | 8,060                   | 73,500            | 7,350                       | 8,055                   |
| People's Leasing & Finance PLC   | 12.11.2019       | 9.60          | 945,000           | 94,500                      | 95,673                  | 945,000           | 94,500                      | 95,672                  |
| People's Leasing & Finance PLC   | 16.11.2021       | 12.60         | 2,000,000         | 200,000                     | 203,036                 | -                 | -                           | -                       |
| Regional Development Bank        | 29.01.2020       | 9.00          | 4,250,000         | 425,000                     | 460,193                 | 4,250,000         | 425,000                     | 459,980                 |
| Richard Pieris and Company PLC   | 16.05.2017       | 10.75         | 156,500           | 15,650                      | 16,069                  | 156,500           | 15,650                      | 16,066                  |
| Sampath Bank PLC                 | 14.12.2019       | 8.25          | 1,000,000         | 100,000                     | 108,279                 | 1,000,000         | 100,000                     | 108,246                 |
| Sampath Bank PLC                 | 18.11.2020       | 9.90          | 898,400           | 89,840                      | 90,869                  | 898,400           | 89,840                      | 90,869                  |
| Sampath Bank PLC                 | 10.06.2021       | 12.75         | 1,500,000         | 150,000                     | 160,405                 | -                 | -                           | -                       |
| Sanasa Development Bank PLC      | 31.12.2020       | 10.00         | 1,500,000         | 150,000                     | 157,583                 | -                 | -                           | -                       |
| Sanasa Development Bank PLC      | 31.12.2020       | 10.30         | 1,500,000         | 150,000                     | 157,811                 | -                 | -                           | -                       |
| Senkadagala Finance PLC          | 27.05.2016       | 17.00         | -                 | -                           | -                       | 362,194           | 36,220                      | 37,763                  |
| Senkadagala Finance PLC          | 09.11.2018       | 13.25         | 320,000           | 32,000                      | 32,579                  | -                 | -                           | -                       |
| Senkadagala Finance PLC          | 10.12.2018       | 15.00         | 817,653           | 81,765                      | 82,359                  | 817,653           | 81,765                      | 82,444                  |
| Senkadagala Finance PLC          | 10.11.2019       | 12.50         | 320,000           | 32,000                      | 32,547                  | -                 | -                           | -                       |
| Seylan Bank PLC                  | 21.02.2018       | 15.50         | 150,000           | 15,000                      | 16,974                  | 150,000           | 15,000                      | 17,016                  |
| Seylan Bank PLC                  | 22.12.2019       | 8.60          | 1,500,000         | 150,000                     | 150,271                 | 1,500,000         | 150,000                     | 150,271                 |
| Seylan Bank PLC                  | 15.07.2021       | 13.00         | 451,600           | 45,160                      | 47,872                  | -                 | -                           | -                       |
| Singer Finance PLC               | 06.04.2020       | 12.00         | 1,000,000         | 100,000                     | 102,784                 | -                 | -                           | -                       |
| Singer (Sri Lanka) PLC           | 07.06.2018       | 8.60          | 500,000           | 50,000                      | 52,162                  | 500,000           | 50,000                      | 52,167                  |
| Singer (Sri Lanka) PLC           | 14.03.2019       | 10.50         | 2,500,000         | 250,000                     | 257,788                 | -                 | -                           | -                       |
| Singer (Sri Lanka) PLC           | 17.06.2020       | 9.95          | 309,300           | 30,930                      | 34,006                  | 309,300           | 30,930                      | 32,562                  |
| Siyapatha Finance PLC            | 20.09.2019       | 13.00         | 1,000,000         | 100,000                     | 103,474                 | -                 | -                           | -                       |
| Softlogic Finance PLC            | 29.08.2019       | 10.00         | 190,900           | 19,090                      | 19,568                  | 190,900           | 19,090                      | 19,568                  |
| <b>Total debentures</b>          |                  |               | <b>4,865,210</b>  | <b>5,070,645</b>            |                         | <b>3,044,270</b>  | <b>3,173,390</b>            |                         |

## 25.4 Trust Certificates

| As at 31 December               | Bank/Group                  |                         |                             |                         |
|---------------------------------|-----------------------------|-------------------------|-----------------------------|-------------------------|
|                                 | 2016                        |                         | 2015                        |                         |
|                                 | Cost of Investment LKR '000 | Amortised Cost LKR '000 | Cost of Investment LKR '000 | Amortised Cost LKR '000 |
| LOLC Finance PLC                | 500,000                     | 520,438                 | -                           | -                       |
| People's Leasing & Finance PLC  | 320,300                     | 329,068                 | -                           | -                       |
| Sanasa Development Bank PLC     | 111,846                     | 115,951                 | -                           | -                       |
| <b>Total trust certificates</b> | <b>932,146</b>              | <b>965,457</b>          | <b>-</b>                    | <b>-</b>                |

## **26. Loans and Advances to Customers**

### **Accounting Policy →**

'Loans and advances to customers' include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- Those that the Bank intends to sell immediately or in the near term and those that the Bank, upon initial recognition, designates as at fair value through profit or loss
- Those that the Bank, upon initial recognition, designates as available for sale
- Those for which the Bank may not recover substantially all of its initial investment, other than due to credit deterioration

'Loans and advances to customers' are initially measured at fair value and subsequently measured at amortised cost using the Effective Interest Rate (EIR), less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortisation is included in 'Interest income' (Note 8.1) in the Statement of Profit or Loss. The losses arising from impairment are recognised in 'Impairment charge for loans and other losses' (Note 13) in the Statement of Profit or Loss.

### **Write-Off of Loans and Receivables**

Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If a write-off is later recovered, the recovery is recognised in the 'Other operating income' (Note 12).

### **Collateral Valuation**

The Group seeks to use collateral, where possible, to mitigate its risks on financial assets. The collateral comes in various forms such as cash, gold, securities, letters of credit/guarantees, real estate, inventories, other non-financial assets and credit enhancements such as netting arrangements. The fair value of collateral is generally assessed, at a minimum, at inception and based on the guidelines issued by Central Bank of Sri Lanka.

Non-financial collaterals, including immovable and movables, are valued based on data provided by the independent professional valuers and Audited Financial Statements.

### **Collaterals Repossessed**

The Group's policy is to dispose of repossessed properties (Foreclosed properties) in an orderly fashion. The proceeds are used to reduce or repay the outstanding claim. In general, the Group doesn't occupy repossessed properties for business use.

### **Renegotiated Loans**

'Where possible, the Group seeks to reschedule/restructure loans rather than take possession of collateral. This may involve extending the payment arrangements and 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 and the loan is no longer considered past due. The Management continually reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original EIR.'

### **Allowance for Impairment Losses**

The Group assesses at each Reporting date, whether there is any objective evidence that loans and advances to customers are impaired.

'The Group first assesses individually, whether objective evidence of impairment exist for loans and advances to customers that are individually significant and that are not individually significant assesses collectively'.

'Objective evidence that loans and advances to customers are impaired can include significant financial difficulty of the borrower or issuer, default or delinquency by a borrower, restructuring of a loan or advance by the Group on terms that the Group would not otherwise consider, indications that a borrower will enter bankruptcy or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or in the Group or economic conditions that correlate with defaults in the Group'.

'If there is objective evidence on that an impairment loss has been incurred, the amount of the loss is measured as the difference between the loans and advances to customers' carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of loans and advances is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Profit or Loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of 'Interest income' (Note 8.1).

'All individually significant loans and advances found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and advances that are not individually significant are collectively assessed for impairment by grouping together loans and advances with similar risk characteristics'.

'In assessing collective impairment, the Group uses statistical modelling of historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for Management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical modelling'.

'Impairment of loans and advances portfolios are based on the judgments in past experience of portfolio behaviour. However, these portfolios are not gone through the full economic life cycle. It may not encounter any future uncertainties that could arise. Therefore, to avoid this limitation, an economic factor adjustment has been incorporated in the Financial Statements'.

'If in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the existing impairment.'

## 26.1 Net Loans and Advances to Customers

### 26.1.1 Bank

| As at 31 December             | 2016                                       |                          |                         |                      | 2015                                       |                          |                         |                    |
|-------------------------------|--------------------------------------------|--------------------------|-------------------------|----------------------|--------------------------------------------|--------------------------|-------------------------|--------------------|
|                               | Individually Significant Loans<br>LKR '000 | Retail Loans<br>LKR '000 | Staff Loans<br>LKR '000 | Total<br>LKR '000    | Individually Significant Loans<br>LKR '000 | Retail Loans<br>LKR '000 | Staff Loans<br>LKR '000 | Total<br>LKR '000  |
| Gross loans and advances      | 554,030,753                                | 477,345,815              | 15,813,122              | 1,047,189,690        | 457,570,675                                | 397,688,915              | 14,056,688              | 869,316,278        |
| Less: Individual impairment   | 19,247,084                                 | -                        | 128,088                 | 19,375,172           | 12,546,423                                 | -                        | 83,139                  | 12,629,562         |
| Collective impairment         | 3,088,387                                  | 24,643,557               | -                       | 27,731,944           | 2,343,915                                  | 27,553,171               | -                       | 29,897,086         |
| <b>Net loans and advances</b> | <b>531,695,282</b>                         | <b>452,702,258</b>       | <b>15,685,034</b>       | <b>1,000,082,574</b> | <b>442,680,337</b>                         | <b>370,135,744</b>       | <b>13,973,549</b>       | <b>826,789,630</b> |

### 26.1.2 Group

| As at 31 December             | 2016                                       |                          |                         |                      | 2015                                       |                          |                         |                    |
|-------------------------------|--------------------------------------------|--------------------------|-------------------------|----------------------|--------------------------------------------|--------------------------|-------------------------|--------------------|
|                               | Individually Significant Loans<br>LKR '000 | Retail Loans<br>LKR '000 | Staff Loans<br>LKR '000 | Total<br>LKR '000    | Individually Significant Loans<br>LKR '000 | Retail Loans<br>LKR '000 | Staff Loans<br>LKR '000 | Total<br>LKR '000  |
| Gross loans and advances      | 567,790,592                                | 492,132,248              | 16,029,313              | 1,075,952,153        | 482,146,420                                | 399,485,268              | 14,307,726              | 895,939,414        |
| Less: Individual impairment   | 19,637,627                                 | -                        | 139,150                 | 19,776,777           | 13,313,639                                 | -                        | 83,139                  | 13,396,778         |
| Collective impairment         | 3,088,387                                  | 25,318,879               | -                       | 28,407,266           | 2,343,915                                  | 28,293,494               | -                       | 30,637,409         |
| <b>Net loans and advances</b> | <b>545,064,578</b>                         | <b>466,813,369</b>       | <b>15,890,163</b>       | <b>1,027,768,110</b> | <b>466,488,866</b>                         | <b>371,191,774</b>       | <b>14,224,587</b>       | <b>851,905,227</b> |



## 26.2 Movement in Impairment for Loans and Advances to Customers

|                                                       | Bank              |                   | Group             |                   |
|-------------------------------------------------------|-------------------|-------------------|-------------------|-------------------|
|                                                       | 2016<br>LKR '000  | 2015<br>LKR '000  | 2016<br>LKR '000  | 2015<br>LKR '000  |
| <b>Movement in Individual Impairment</b>              |                   |                   |                   |                   |
| As at 1 January                                       | 12,629,562        | 10,138,002        | 13,396,778        | 10,925,062        |
| Charge during the year                                | 9,209,538         | 3,780,695         | 9,289,236         | 4,128,303         |
| Amount reversed or recovered during the year          | (2,523,858)       | (1,625,626)       | (2,523,858)       | (1,625,626)       |
| Exchange rate variance on foreign currency impairment | 172,083           | 444,876           | 172,083           | 444,876           |
| Amount written off                                    | (15,452)          | (86,794)          | (460,761)         | (86,794)          |
| Other movements                                       | (96,701)          | (21,591)          | (96,701)          | (389,043)         |
| <b>As at 31 December</b>                              | <b>19,375,172</b> | <b>12,629,562</b> | <b>19,776,777</b> | <b>13,396,778</b> |
| <b>Movement in Collective Impairment</b>              |                   |                   |                   |                   |
| As at 1 January                                       | 29,897,086        | 26,019,280        | 30,637,409        | 26,887,361        |
| Charge/(reversal) during the year                     | (2,288,919)       | 3,748,734         | (2,344,378)       | 3,863,277         |
| Exchange rate variance on foreign currency impairment | 13,106            | 18,236            | 13,106            | 18,236            |
| Amount written off                                    | (15,492)          | (22,603)          | (15,492)          | (22,603)          |
| Other movements                                       | 126,163           | 133,439           | 116,621           | (108,862)         |
| <b>As at 31 December</b>                              | <b>27,731,944</b> | <b>29,897,086</b> | <b>28,407,266</b> | <b>30,637,409</b> |
| <b>Total of individual and collective impairment</b>  | <b>47,107,116</b> | <b>42,526,648</b> | <b>48,184,043</b> | <b>44,034,187</b> |

## 26.3 Analysis of Gross Loans and Advances – By Product

| As at 31 December                    | 2016                                |                                       |                      | 2015                                |                                       |                    |
|--------------------------------------|-------------------------------------|---------------------------------------|----------------------|-------------------------------------|---------------------------------------|--------------------|
|                                      | Local Currency<br>Loans<br>LKR '000 | Foreign Currency<br>Loans<br>LKR '000 | Total<br>LKR '000    | Local Currency<br>Loans<br>LKR '000 | Foreign Currency<br>Loans<br>LKR '000 | Total<br>LKR '000  |
| <b>Bank</b>                          |                                     |                                       |                      |                                     |                                       |                    |
| Term loans                           | 220,511,465                         | 170,726,008                           | 391,237,473          | 182,175,637                         | 167,977,440                           | 350,153,077        |
| Loans under schemes                  | 80,127,478                          | 1,017,341                             | 81,144,819           | 49,975,989                          | 726,483                               | 50,702,472         |
| Housing loans                        | 48,851,923                          | –                                     | 48,851,923           | 42,804,370                          | –                                     | 42,804,370         |
| Trade finance                        | 38,183,554                          | 29,854,206                            | 68,037,760           | 25,429,477                          | 19,927,355                            | 45,356,832         |
| Personal loans                       | 160,170,812                         | –                                     | 160,170,812          | 107,539,804                         | –                                     | 107,539,804        |
| Overdrafts                           | 157,764,525                         | 13,753,894                            | 171,518,419          | 130,276,382                         | 11,697,581                            | 141,973,963        |
| Credit cards                         | 3,370,916                           | –                                     | 3,370,916            | 3,053,597                           | –                                     | 3,053,597          |
| Lease rentals receivable [Note 26.6] | 47,111,702                          | 363,587                               | 47,475,289           | 46,688,101                          | 454,146                               | 47,142,247         |
| Pawning                              | 47,191,558                          | –                                     | 47,191,558           | 56,900,717                          | –                                     | 56,900,717         |
| Foreclosed properties                | 547,785                             | 513,033                               | 1,060,818            | 590,991                             | 497,450                               | 1,088,441          |
| Staff loans                          | 15,803,961                          | 9,161                                 | 15,813,122           | 14,044,875                          | 11,813                                | 14,056,688         |
| Other loans                          | 9,986,891                           | 1,329,890                             | 11,316,781           | 7,516,305                           | 1,027,765                             | 8,544,070          |
| <b>Gross loans and advances</b>      | <b>829,622,570</b>                  | <b>217,567,120</b>                    | <b>1,047,189,690</b> | <b>666,996,245</b>                  | <b>202,320,033</b>                    | <b>869,316,278</b> |

| As at 31 December                    | 2016                             |                                    |                      | 2015                             |                                    |                    |
|--------------------------------------|----------------------------------|------------------------------------|----------------------|----------------------------------|------------------------------------|--------------------|
|                                      | Local Currency Loans<br>LKR '000 | Foreign Currency Loans<br>LKR '000 | Total<br>LKR '000    | Local Currency Loans<br>LKR '000 | Foreign Currency Loans<br>LKR '000 | Total<br>LKR '000  |
| <b>Group</b>                         |                                  |                                    |                      |                                  |                                    |                    |
| Term loans                           | 224,572,914                      | 172,551,191                        | 397,124,105          | 187,281,566                      | 169,609,144                        | 356,890,710        |
| Loans under schemes                  | 81,120,650                       | 1,017,341                          | 82,137,991           | 50,870,448                       | 726,483                            | 51,596,931         |
| Housing loans                        | 48,888,959                       | –                                  | 48,888,959           | 42,863,284                       | –                                  | 42,863,284         |
| Trade finance                        | 39,179,748                       | 29,854,206                         | 69,033,954           | 26,157,989                       | 19,927,355                         | 46,085,344         |
| Personal loans                       | 164,852,154                      | –                                  | 164,852,154          | 110,137,186                      | –                                  | 110,137,186        |
| Overdrafts                           | 157,732,793                      | 13,926,430                         | 171,659,223          | 130,276,382                      | 11,954,817                         | 142,231,199        |
| Credit cards                         | 3,370,916                        | –                                  | 3,370,916            | 3,053,597                        | –                                  | 3,053,597          |
| Lease rentals receivable [Note 26.6] | 62,422,939                       | 363,587                            | 62,786,526           | 61,589,220                       | 454,146                            | 62,043,366         |
| Pawning                              | 47,691,413                       | –                                  | 47,691,413           | 57,097,560                       | –                                  | 57,097,560         |
| Foreclosed properties                | 547,785                          | 513,033                            | 1,060,818            | 590,991                          | 497,450                            | 1,088,441          |
| Staff loans                          | 16,017,452                       | 11,861                             | 16,029,313           | 14,277,198                       | 30,528                             | 14,307,726         |
| Other loans                          | 9,986,891                        | 1,329,890                          | 11,316,781           | 7,506,762                        | 1,037,308                          | 8,544,070          |
| <b>Gross loans and advances</b>      | <b>856,384,614</b>               | <b>219,567,539</b>                 | <b>1,075,952,153</b> | <b>691,702,183</b>               | <b>204,237,231</b>                 | <b>895,939,414</b> |

## 26.4 Analysis of Gross Loans and Advances – By Currency

| As at 31 December               | Bank                 |                    | Group                |                    |
|---------------------------------|----------------------|--------------------|----------------------|--------------------|
|                                 | 2016<br>LKR '000     | 2015<br>LKR '000   | 2016<br>LKR '000     | 2015<br>LKR '000   |
| Sri Lankan Rupee                | 829,622,570          | 666,996,245        | 856,384,614          | 691,702,183        |
| United States Dollar            | 202,881,696          | 191,222,807        | 202,881,696          | 191,222,807        |
| Great Britain Pound             | 383,159              | 406,361            | 2,383,577            | 2,323,559          |
| Euro                            | 286,748              | 189,882            | 286,748              | 189,882            |
| Maldivian Rufiyaa               | 7,767,141            | 5,226,155          | 7,767,141            | 5,226,155          |
| Indian Rupee                    | 6,210,730            | 5,239,015          | 6,210,730            | 5,239,015          |
| Other currencies                | 37,646               | 35,813             | 37,647               | 35,813             |
| <b>Gross loans and advances</b> | <b>1,047,189,690</b> | <b>869,316,278</b> | <b>1,075,952,153</b> | <b>895,939,414</b> |

**26.5 Analysis of Loan Impairment – By Product**

| As at 31 December                  | 2016                    |                        |                       | 2015                    |                        |                       |
|------------------------------------|-------------------------|------------------------|-----------------------|-------------------------|------------------------|-----------------------|
|                                    | Gross Loans<br>LKR '000 | Impairment<br>LKR '000 | Net Loans<br>LKR '000 | Gross Loans<br>LKR '000 | Impairment<br>LKR '000 | Net Loans<br>LKR '000 |
| <b>Individually Assessed Loans</b> |                         |                        |                       |                         |                        |                       |
| <b>Bank</b>                        |                         |                        |                       |                         |                        |                       |
| Term loans                         | 328,656,206             | 13,377,106             | 315,279,100           | 290,110,967             | 10,009,765             | 280,101,202           |
| Loans under schemes                | 25,479,115              | 876,115                | 24,603,000            | 11,706,949              | 303,750                | 11,403,199            |
| Housing loans                      | –                       | –                      | –                     | –                       | –                      | –                     |
| Trade finance                      | 57,304,419              | 4,006,721              | 53,297,698            | 34,539,872              | 2,293,012              | 32,246,860            |
| Personal loans                     | –                       | –                      | –                     | –                       | –                      | –                     |
| Overdrafts                         | 119,048,316             | 3,629,754              | 115,418,562           | 93,846,421              | 1,995,124              | 91,851,297            |
| Credit cards                       | –                       | –                      | –                     | –                       | –                      | –                     |
| Lease rentals receivable           | 19,828,062              | 152,500                | 19,675,562            | 24,521,641              | 164,431                | 24,357,210            |
| Pawning                            | –                       | –                      | –                     | –                       | –                      | –                     |
| Foreclosed properties              | –                       | –                      | –                     | –                       | –                      | –                     |
| Staff loans                        | 15,813,122              | 128,088                | 15,685,034            | 14,056,688              | 83,139                 | 13,973,549            |
| Other loans                        | 3,714,635               | 293,275                | 3,421,360             | 2,844,825               | 124,256                | 2,720,569             |
| <b>Total</b>                       | <b>569,843,875</b>      | <b>22,463,559</b>      | <b>547,380,316</b>    | <b>471,627,363</b>      | <b>14,973,477</b>      | <b>456,653,886</b>    |
| <b>Group</b>                       |                         |                        |                       |                         |                        |                       |
| Term loans                         | 336,443,825             | 13,486,121             | 322,957,704           | 298,880,085             | 10,584,719             | 288,295,366           |
| Loans under schemes                | 25,479,115              | 876,115                | 24,603,000            | 12,127,152              | 303,750                | 11,823,402            |
| Housing loans                      | –                       | –                      | –                     | –                       | –                      | –                     |
| Trade finance                      | 58,102,070              | 4,129,595              | 53,972,475            | 35,135,143              | 2,416,859              | 32,718,284            |
| Personal loans                     | –                       | –                      | –                     | –                       | –                      | –                     |
| Overdrafts                         | 119,048,316             | 3,629,754              | 115,418,562           | 93,846,421              | 1,995,124              | 91,851,297            |
| Credit cards                       | –                       | –                      | –                     | –                       | –                      | –                     |
| Lease rentals receivable           | 25,002,631              | 311,154                | 24,691,477            | 39,312,794              | 232,846                | 39,079,948            |
| Pawning                            | –                       | –                      | –                     | –                       | –                      | –                     |
| Foreclosed properties              | –                       | –                      | –                     | –                       | –                      | –                     |
| Staff loans                        | 16,029,313              | 139,150                | 15,890,163            | 14,307,726              | 83,139                 | 14,224,587            |
| Other loans                        | 3,714,635               | 293,275                | 3,421,360             | 2,844,825               | 124,256                | 2,720,569             |
| <b>Total</b>                       | <b>583,819,905</b>      | <b>22,865,164</b>      | <b>560,954,741</b>    | <b>496,454,146</b>      | <b>15,740,693</b>      | <b>480,713,453</b>    |

| As at 31 December                  | 2016                    |                        |                       | 2015                    |                        |                       |
|------------------------------------|-------------------------|------------------------|-----------------------|-------------------------|------------------------|-----------------------|
|                                    | Gross Loans<br>LKR '000 | Impairment<br>LKR '000 | Net Loans<br>LKR '000 | Gross Loans<br>LKR '000 | Impairment<br>LKR '000 | Net Loans<br>LKR '000 |
| <b>Collectively Assessed Loans</b> |                         |                        |                       |                         |                        |                       |
| <b>Bank</b>                        |                         |                        |                       |                         |                        |                       |
| Term loans                         | 62,581,267              | 2,214,742              | 60,366,525            | 60,042,110              | 5,408,888              | 54,633,222            |
| Loans under schemes                | 55,665,704              | 3,941,780              | 51,723,924            | 38,995,523              | 4,140,790              | 34,854,733            |
| Housing loans                      | 48,851,923              | 594,573                | 48,257,350            | 42,804,370              | 610,435                | 42,193,935            |
| Trade finance                      | 10,733,341              | 1,165,470              | 9,567,871             | 10,816,960              | 746,769                | 10,070,191            |
| Personal loans                     | 160,170,812             | 587,318                | 159,583,494           | 107,539,804             | 434,706                | 107,105,098           |
| Overdrafts                         | 52,470,103              | 7,628,229              | 44,841,874            | 48,127,542              | 6,565,783              | 41,561,759            |
| Credit cards                       | 3,370,916               | 151,269                | 3,219,647             | 3,053,597               | 158,434                | 2,895,163             |
| Lease rentals receivable           | 27,647,227              | 789,295                | 26,857,932            | 22,620,606              | 1,032,709              | 21,587,897            |
| Pawning                            | 47,191,558              | 1,043,342              | 46,148,216            | 56,900,717              | 3,660,951              | 53,239,766            |
| Foreclosed properties              | 1,060,818               | 658,841                | 401,977               | 1,088,441               | 587,009                | 501,432               |
| Staff loans                        | -                       | -                      | -                     | -                       | -                      | -                     |
| Other loans                        | 7,602,146               | 5,868,698              | 1,733,448             | 5,699,245               | 4,206,697              | 1,492,548             |
| <b>Total</b>                       | <b>477,345,815</b>      | <b>24,643,557</b>      | <b>452,702,258</b>    | <b>397,688,915</b>      | <b>27,553,171</b>      | <b>370,135,744</b>    |
| <b>Group</b>                       |                         |                        |                       |                         |                        |                       |
| Term loans                         | 60,680,280              | 2,421,033              | 58,259,247            | 58,010,625              | 5,492,530              | 52,518,095            |
| Loans under schemes                | 56,658,876              | 3,963,156              | 52,695,720            | 39,469,779              | 4,148,993              | 35,320,786            |
| Housing loans                      | 48,888,959              | 621,197                | 48,267,762            | 42,863,284              | 636,247                | 42,227,037            |
| Trade finance                      | 10,931,884              | 1,177,238              | 9,754,646             | 10,950,201              | 879,392                | 10,070,809            |
| Personal loans                     | 164,852,154             | 677,090                | 164,175,064           | 110,137,186             | 444,428                | 109,692,758           |
| Overdrafts                         | 52,610,907              | 7,756,756              | 44,854,151            | 48,384,778              | 6,606,965              | 41,777,813            |
| Credit cards                       | 3,370,916               | 151,269                | 3,219,647             | 3,053,597               | 158,434                | 2,895,163             |
| Lease rentals receivable           | 37,783,895              | 954,287                | 36,829,608            | 22,730,572              | 1,469,307              | 21,261,265            |
| Pawning                            | 47,691,413              | 1,069,314              | 46,622,099            | 57,097,560              | 3,663,492              | 53,434,068            |
| Foreclosed properties              | 1,060,818               | 658,841                | 401,977               | 1,088,441               | 587,009                | 501,432               |
| Staff loans                        | -                       | -                      | -                     | -                       | -                      | -                     |
| Other loans                        | 7,602,146               | 5,868,698              | 1,733,448             | 5,699,245               | 4,206,697              | 1,492,548             |
| <b>Total</b>                       | <b>492,132,248</b>      | <b>25,318,879</b>      | <b>466,813,369</b>    | <b>399,485,268</b>      | <b>28,293,494</b>      | <b>371,191,774</b>    |

## 26.6 Lease Rentals Receivable

### Accounting Policy →

Assets leased to customers, which transfer substantially all risks and rewards associated with ownership, other than legal title, are classified as finance leases. Amounts receivable under finance leases are classified as lease and hire purchase receivables and presented within loans and receivables to customers in the Statement of Financial Position, after deduction of unearned lease income and the impairment for rentals doubtful of recovery. Lease receivables are collectively assessed for impairment to the Financial Statements.

| As at 31 December                     | Bank              |                   | Group             |                   |
|---------------------------------------|-------------------|-------------------|-------------------|-------------------|
|                                       | 2016<br>LKR '000  | 2015<br>LKR '000  | 2016<br>LKR '000  | 2015<br>LKR '000  |
| <b>Gross Lease Rentals Receivable</b> |                   |                   |                   |                   |
| Less than one year                    | 19,699,478        | 18,759,029        | 26,386,101        | 23,386,513        |
| One to five years                     | 36,715,009        | 38,113,777        | 49,201,396        | 51,964,014        |
| More than five years                  | 247,274           | 217,705           | 247,274           | 217,705           |
|                                       | <b>56,661,761</b> | <b>57,090,511</b> | <b>75,834,771</b> | <b>75,568,232</b> |
| Less: Unearned finance income         | 9,186,472         | 9,948,264         | 13,048,245        | 13,524,866        |
| <b>Gross lease rentals receivable</b> | <b>47,475,289</b> | <b>47,142,247</b> | <b>62,786,526</b> | <b>62,043,366</b> |
| Less: Provision for impairment losses | 941,795           | 1,197,140         | 1,265,441         | 1,702,153         |
| <b>Net lease rentals receivable</b>   | <b>46,533,494</b> | <b>45,945,107</b> | <b>61,521,085</b> | <b>60,341,213</b> |

## 27. Financial Investments – Available for Sale

### Accounting Policy →

All non-derivative financial assets that are not in any of following three categories are classified under, financial investments – available for sale

- Financial instruments – Held for trading
- Financial investments – Loans and receivables
- Financial investments – Held to maturity

Available for sale (AFS) financial investments include equity and debt securities. Equity investments classified as AFS are those which are neither classified as held for trading nor designated at fair value through profit or loss. Quoted equities include strategic investments held by the Group at the year end.

Debt securities in this category are intended to be held for an indefinite period of time and may be sold in response to needs for liquidity or in response to changes in the market conditions. The Group has not designated any loans or receivables as AFS.

All AFS financial investments are initially and subsequently measured at fair value. Unrealised gains and losses are recognised directly in equity in the 'available for sale reserve' through Other Comprehensive Income. When the investment is disposed off, the cumulative gain or loss previously recognised in available for sale reserve is recognised in the Statement of Profit or Loss and reflected in 'Net gains/(losses) from financial investments' (Note 11). Interest earned whilst holding available for sale financial investments is reported as 'Interest income' (Note 8.1). Dividends earned, whilst holding available for sale financial investments, are recognised in the Statement of Profit or Loss under in 'Net gains/(losses) from financial investments' (Note 11), when the right of the payment has been established.



## **Impairment of Financial Investments – Available for Sale**

The Group assesses at each Reporting date whether there is an objective evidence to determine that AFS investment is impaired.

For debt instruments classified as available for sale, the Group assesses individually whether there is an objective evidence of impairment occurred as at the each Reporting date. The amount of impairment is measured as the difference between the carrying amount and the fair value of such asset.

Equity investments classified as available for sale are treated as impaired, if objective evidence includes a 'significant' or 'prolonged' decline in the fair value of the investment exist.

Impairment losses are recognised in the Statement of Profit or Loss in 'Impairment (charge)/reversal for loans and other losses' (Note 13). If cumulative mark to market losses recognised in Other Comprehensive Income for a instrument, impairment losses are recognised for such instrument by transferring the cumulative loss that has been recognised in Other Comprehensive Income to the profit or loss as a reclassification adjustment. The cumulative loss that is reclassified from Other Comprehensive Income to the profit or loss, is the difference between the acquisition costs, net of any principal repayment and amortisation and the current fair value, less any impairment loss previously recognised in the Statement of Profit or Loss. Changes in impairment provisions attributable to time value are reflected as a component of 'Interest income' (Note 8.1).

'If, in a subsequent period, the fair value of an impaired AFS debt security increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the Statement of Profit or Loss, the impairment loss is reversed, with the amount of the reversal recognised in the Statement of Profit or Loss. However, Impairment losses on equity investments are not reversed through the Statement of Profit or Loss, any subsequent recovery in the fair value of an impaired AFS equity investment is recognised in Other Comprehensive Income. 'The Group writes-off certain financial investments – Available for sale when they are determined to be uncollectible'.

| <i>As at 31 December</i>                                | Bank              |                   | Group             |                   |
|---------------------------------------------------------|-------------------|-------------------|-------------------|-------------------|
|                                                         | 2016<br>LKR '000  | 2015<br>LKR '000  | 2016<br>LKR '000  | 2015<br>LKR '000  |
| Government Securities                                   |                   |                   |                   |                   |
| Treasury bills                                          | –                 | 467,734           | 2,320,821         | 1,826,836         |
| Treasury bonds                                          | 434,475           | 1,001,373         | 1,164,971         | 1,722,468         |
| In other countries                                      | 1,627,319         | 1,143,583         | 2,915,692         | 1,972,336         |
| Quoted equities [Note 27.1]                             | 3,938,737         | 4,683,444         | 5,325,122         | 5,969,583         |
| Units in unit trusts [Note 27.2]                        | 3,764,963         | 4,059,644         | 3,798,173         | 4,068,328         |
| Unquoted equities [Note 27.3]                           | 697,552           | 665,791           | 738,862           | 707,101           |
| <b>Total financial investments – Available for sale</b> | <b>10,463,046</b> | <b>12,021,569</b> | <b>16,263,641</b> | <b>16,266,652</b> |

## 27.1 Quoted Equities

| As at 31 December                  | 2016                   |                                |                          | 2015                   |                                |                          |
|------------------------------------|------------------------|--------------------------------|--------------------------|------------------------|--------------------------------|--------------------------|
|                                    | No. of Ordinary Shares | Cost of Investment<br>LKR '000 | Market Value<br>LKR '000 | No. of Ordinary Shares | Cost of Investment<br>LKR '000 | Market Value<br>LKR '000 |
| <b>Bank</b>                        |                        |                                |                          |                        |                                |                          |
| National Development Bank PLC      | 16,371,076             | 691,862                        | 2,553,888                | 16,371,076             | 691,862                        | 3,177,626                |
| People's Leasing & Finance PLC     | 11,453,600             | 206,165                        | 197,002                  | 11,453,600             | 206,165                        | 251,979                  |
| Seylan Bank PLC                    | 13,198,305             | 466,700                        | 1,187,847                | 13,198,305             | 466,700                        | 1,253,839                |
| <b>Total quoted equities</b>       |                        | <b>1,364,727</b>               | <b>3,938,737</b>         |                        | <b>1,364,727</b>               | <b>4,683,444</b>         |
| <b>Group</b>                       |                        |                                |                          |                        |                                |                          |
| National Development Bank PLC      | 16,371,076             | 691,862                        | 2,553,888                | 16,371,076             | 691,862                        | 3,177,626                |
| People's Leasing & Finance PLC     | 11,453,600             | 206,165                        | 197,002                  | 11,453,600             | 206,165                        | 251,979                  |
| Seylan Bank PLC                    | 13,198,305             | 466,700                        | 1,187,847                | 13,198,305             | 466,700                        | 1,253,839                |
| The Lanka Hospital Corporation PLC | 21,329,000             | 213,290                        | 1,386,385                | 21,329,000             | 213,290                        | 1,286,139                |
| <b>Total quoted equities</b>       |                        | <b>1,578,017</b>               | <b>5,325,122</b>         |                        | <b>1,578,017</b>               | <b>5,969,583</b>         |

## 27.2 Units in Unit Trusts

| As at 31 December                      | 2016         |                                |                          | 2015         |                                |                          |
|----------------------------------------|--------------|--------------------------------|--------------------------|--------------|--------------------------------|--------------------------|
|                                        | No. of Units | Cost of Investment<br>LKR '000 | Market Value<br>LKR '000 | No. of Units | Cost of Investment<br>LKR '000 | Market Value<br>LKR '000 |
| <b>Bank</b>                            |              |                                |                          |              |                                |                          |
| Ceybank Unit Trust                     | 120,986,551  | 1,889,364                      | 3,089,997                | 120,986,551  | 1,889,364                      | 3,357,377                |
| Ceybank Century Growth Fund            | 8,284,896    | 146,101                        | 553,348                  | 8,284,896    | 146,101                        | 579,611                  |
| Ceybank Surekum Gilt Edged Fund        | 11,389,982   | 114,148                        | 121,618                  | 11,389,982   | 114,148                        | 122,656                  |
| <b>Total units in unit trusts</b>      |              | <b>2,149,613</b>               | <b>3,764,963</b>         |              | <b>2,149,613</b>               | <b>4,059,644</b>         |
| <b>Group</b>                           |              |                                |                          |              |                                |                          |
| Ceybank Unit Trust                     | 120,986,551  | 1,889,364                      | 3,089,997                | 120,986,551  | 1,889,364                      | 3,357,377                |
| Ceybank Century Growth Fund            | 8,284,896    | 146,101                        | 553,348                  | 8,284,896    | 146,101                        | 579,611                  |
| Ceybank Surekum Gilt Edged Fund        | 11,389,982   | 114,148                        | 121,618                  | 11,389,982   | 114,148                        | 122,656                  |
| Comtrust Money Market Fund             | 163,821      | 1,500                          | 2,238                    | 163,821      | 1,500                          | 2,062                    |
| First Capital Asset Management Limited | 25,932       | 29,350                         | 30,972                   | 4,725        | 5,000                          | 6,622                    |
| <b>Total units in unit trusts</b>      |              | <b>2,180,463</b>               | <b>3,798,173</b>         |              | <b>2,156,113</b>               | <b>4,068,328</b>         |

## 27.3 Unquoted Equities

| As at 31 December                       | 2016                   |                             |                     | 2015                   |                             |                     |
|-----------------------------------------|------------------------|-----------------------------|---------------------|------------------------|-----------------------------|---------------------|
|                                         | No. of Ordinary Shares | Cost of Investment LKR '000 | Fair Value LKR '000 | No. of Ordinary Shares | Cost of Investment LKR '000 | Fair Value LKR '000 |
| <b>Bank</b>                             |                        |                             |                     |                        |                             |                     |
| Credit Information Bureau of Sri Lanka  | 46,600                 | 41,542                      | 41,542              | 46,600                 | 41,542                      | 41,542              |
| Fitch Ratings Lanka Limited             | 62,500                 | 625                         | 625                 | 62,500                 | 625                         | 625                 |
| LankaClear (Private) Limited            | 2,100,000              | 21,000                      | 21,000              | 2,100,000              | 21,000                      | 21,000              |
| Lanka Financial Services Bureau Limited | 225,000                | 2,250                       | 2,250               | 225,000                | 2,250                       | 2,250               |
| Magpek Exports Limited                  | 300,000                | 4,355                       | –                   | 300,000                | 4,355                       | –                   |
| MasterCard Incorporated                 | 17,200                 | –                           | 266,030             | 17,200                 | –                           | 241,246             |
| Regional Development Bank               | 16,448,448             | 162,300                     | 162,300             | 16,448,448             | 162,300                     | 162,300             |
| Visa Inc.                               | 17,438                 | –                           | 203,805             | 17,438                 | –                           | 196,828             |
|                                         |                        | <b>232,072</b>              | <b>697,552</b>      |                        | <b>232,072</b>              | <b>665,791</b>      |
| Fair value adjustment                   |                        | 469,835                     |                     |                        | 438,074                     |                     |
| Provision for impairment [Note 27.4]    |                        | (4,355)                     |                     |                        | (4,355)                     |                     |
| <b>Total unquoted equities</b>          |                        | <b>697,552</b>              | <b>697,552</b>      |                        | <b>665,791</b>              | <b>665,791</b>      |
| <b>Group</b>                            |                        |                             |                     |                        |                             |                     |
| Ceylinco Investment Company Limited     | 500,000                | 5,000                       | –                   | 500,000                | 5,000                       | –                   |
| Credit Information Bureau of Sri Lanka  | 47,140                 | 41,596                      | 41,596              | 47,140                 | 41,596                      | 41,596              |
| Fitch Ratings Lanka Limited             | 62,500                 | 625                         | 625                 | 62,500                 | 625                         | 625                 |
| LankaClear (Private) Limited            | 2,100,000              | 21,000                      | 21,000              | 2,100,000              | 21,000                      | 21,000              |
| Lanka Financial Services Bureau Limited | 225,000                | 2,250                       | 2,250               | 225,000                | 2,250                       | 2,250               |
| LVL Energy Fund (Private) Limited       | 2,500,000              | 20,000                      | 20,000              | 2,500,000              | 20,000                      | 20,000              |
| Magpek Exports Limited                  | 300,000                | 4,355                       | –                   | 300,000                | 4,355                       | –                   |
| MasterCard Incorporated                 | 17,200                 | –                           | 266,030             | 17,200                 | –                           | 241,246             |
| Mega Containers Limited                 | 1,000,000              | 10,000                      | 20,491              | 1,000,000              | 10,000                      | 20,491              |
| Regional Development Bank               | 16,448,448             | 162,300                     | 162,300             | 16,448,448             | 162,300                     | 162,300             |
| Ranwan Industries (Private) Limited     | 165,790                | 3,600                       | –                   | 165,790                | 3,600                       | –                   |
| San Michele Limited                     | 50,000                 | 500                         | –                   | 50,000                 | 500                         | –                   |
| UB Finance Company Limited              | 2,506,562              | 17,546                      | 765                 | 2,506,562              | 17,546                      | 765                 |
| Visa Inc.                               | 17,438                 | –                           | 203,805             | 17,438                 | –                           | 196,828             |
|                                         |                        | <b>288,772</b>              | <b>738,862</b>      |                        | <b>288,772</b>              | <b>707,101</b>      |
| Fair value adjustment                   |                        | 480,326                     |                     |                        | 448,565                     |                     |
| Provision for impairment [Note 27.4]    |                        | (30,236)                    |                     |                        | (30,236)                    |                     |
| <b>Total unquoted equities</b>          |                        | <b>738,862</b>              | <b>738,862</b>      |                        | <b>707,101</b>              | <b>707,101</b>      |

## 27.4 Movement in Provision for Impairment on Unquoted Investments

|                                           | Bank          |               | Group         |               |
|-------------------------------------------|---------------|---------------|---------------|---------------|
|                                           | 2016 LKR '000 | 2015 LKR '000 | 2016 LKR '000 | 2015 LKR '000 |
| Balance as at 1 January                   | 4,355         | 4,355         | 30,236        | 26,136        |
| Provision made/(reversal) during the year | –             | –             | –             | –             |
| Adjustment                                | –             | –             | –             | 4,100         |
| <b>Balance as at 31 December</b>          | <b>4,355</b>  | <b>4,355</b>  | <b>30,236</b> | <b>30,236</b> |

## 28. Financial Investments – Held to Maturity

### Accounting Policy →

Held to maturity (HTM) financial investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group has the positive intent and ability to hold to maturity.

HTM financial investments are initially measured at fair value. After initial measurement, subsequently measured at amortised cost using the Effective Interest Rate (EIR) less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. The amortisation is included in 'Interest income' (Note 8.1) in the Statement of Profit or Loss. The losses arising from impairment of such investments are recognised in the Statement of Profit or Loss under 'Impairment charge/(reversal) for loans and other losses' (Note 13).

| Balance as at 31 December                             | Bank               |                    | Group              |                    |
|-------------------------------------------------------|--------------------|--------------------|--------------------|--------------------|
|                                                       | 2016<br>LKR '000   | 2015<br>LKR '000   | 2016<br>LKR '000   | 2015<br>LKR '000   |
| Treasury bills                                        | 24,236,802         | 25,596,314         | 24,254,603         | 25,600,693         |
| Treasury bonds                                        | 218,941,598        | 220,692,311        | 218,999,364        | 220,748,818        |
| <b>Total financial investments – Held to maturity</b> | <b>243,178,400</b> | <b>246,288,625</b> | <b>243,253,967</b> | <b>246,349,511</b> |

The Bank has pledged treasury bonds – Held to maturity of LKR 84,117.4 million as collateral as at 31 December 2016 (2015 – LKR 99,618.0 million).

## 29. Investment in Subsidiary Companies

### Accounting Policy →

Subsidiaries are entities that are controlled by the Bank. Control is achieved when the Bank is exposed or has rights, to variable returns from its involvement with the investee and has the ability to affect the returns of those investees through its power over the investee. Specifically, the Bank controls an investee if, and only if, the Bank has:

- power over the investee
- exposure or rights to variable returns from its involvement with the investee
- the ability to use its power over the investee to affect its returns

The Financial Statements of subsidiaries are included in the Consolidated Financial Statements from the date that control commences until the date that control ceases. The Bank reassesses whether it has control if there are changes to one or more of the elements of control. A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest (NCI) and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value at the date of loss of control.

The Consolidated Financial Statements are prepared for the common financial year end of 31 December and have been prepared using uniform accounting policies for like transactions and other events in similar circumstances. All intra group balances, income and expenses (except for foreign currency translation gains or losses) arising from intra group transactions are eliminated on consolidation. Unrealised gains and losses resulting from transactions between the Group and its associates are also eliminated on consolidation to the extent of the Group's interests in the associates. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

There are no significant restrictions on the ability of subsidiaries to transfer funds to the parent in the form of cash dividends or to repay loans and advances. All subsidiaries of the Bank have been incorporated in Sri Lanka except for Bank of Ceylon (UK) Limited, which is incorporated in the United Kingdom. A list of the Bank's subsidiaries is given in Note 29.5 to the Financial Statements.

| <i>As at 31 December</i>                                                 | 2016<br>LKR '000 | 2015<br>LKR '000 |
|--------------------------------------------------------------------------|------------------|------------------|
| Investment in quoted subsidiaries [Note 29.3]                            | 3,114,952        | 3,114,952        |
| Investment in unquoted subsidiaries [Note 29.4]                          | 3,798,096        | 3,798,096        |
| <b>Total investment in subsidiaries</b>                                  | <b>6,913,048</b> | <b>6,913,048</b> |
| Less: Provision for impairment of investment in subsidiaries [Note 29.2] | 700,000          | 700,000          |
| <b>Carrying value of investment in subsidiary companies</b>              | <b>6,213,048</b> | <b>6,213,048</b> |

## 29.1 Movement in Investment in Subsidiary Companies

|                                    | 2016<br>LKR '000 | 2015<br>LKR '000 |
|------------------------------------|------------------|------------------|
| Balance as at 1 January            | 6,913,048        | 6,913,048        |
| Increase/(Decrease) in Investments | –                | –                |
| <b>Balance as at 31 December</b>   | <b>6,913,048</b> | <b>6,913,048</b> |

## 29.2 Provision for Impairment of Investment in Subsidiaries

|                                   | 2016<br>LKR '000 | 2015<br>LKR '000 |
|-----------------------------------|------------------|------------------|
| Balance as at 1 January           | 700,000          | 700,000          |
| Impairment charge during the year | –                | –                |
| <b>Balance as at 31 December</b>  | <b>700,000</b>   | <b>700,000</b>   |

## 29.3 Investment in Quoted Subsidiaries

| <i>As at 31 December</i>                                                  | Bank             |                          |                  |                          |
|---------------------------------------------------------------------------|------------------|--------------------------|------------------|--------------------------|
|                                                                           | 2016             |                          | 2015             |                          |
|                                                                           | Cost<br>LKR '000 | Market Value<br>LKR '000 | Cost<br>LKR '000 | Market Value<br>LKR '000 |
| Property Development PLC<br>(63,064,957 Ordinary shares)                  | 860,270          | 6,593,423                | 860,270          | 5,741,641                |
| Merchant Bank of Sri Lanka & Finance PLC<br>(123,562,267 Ordinary shares) | 2,254,682        | 1,680,447                | 2,254,682        | 1,853,434                |
| <b>Total investment in quoted subsidiaries</b>                            | <b>3,114,952</b> | <b>8,273,870</b>         | <b>3,114,952</b> | <b>7,595,075</b>         |



## 29.4 Investment in Unquoted Subsidiaries

| As at 31 December                                                                        | Bank             |                                  |                  |                                  |
|------------------------------------------------------------------------------------------|------------------|----------------------------------|------------------|----------------------------------|
|                                                                                          | 2016             |                                  | 2015             |                                  |
|                                                                                          | Cost<br>LKR '000 | Directors' Valuation<br>LKR '000 | Cost<br>LKR '000 | Directors' Valuation<br>LKR '000 |
| BOC Management & Support Services (Private) Limited<br>(99,996 Ordinary shares)          | 1,000            | 1,000                            | 1,000            | 1,000                            |
| BOC Property Development & Management (Private) Limited<br>(100,999,998 Ordinary shares) | 1,010,000        | 1,010,000                        | 1,010,000        | 1,010,000                        |
| BOC Travels (Private) Limited (250,004 Ordinary shares)                                  | 2,500            | 2,500                            | 2,500            | 2,500                            |
| Bank of Ceylon (UK) Limited (15,000,000 Ordinary shares)                                 | 2,683,859        | 1,983,859                        | 2,683,859        | 1,983,859                        |
| Hotels Colombo (1963) Limited (10,073,667 Ordinary shares)                               | 100,737          | 100,737                          | 100,737          | 100,737                          |
| <b>Total investment in unquoted subsidiaries</b>                                         | <b>3,798,096</b> | <b>3,098,096</b>                 | <b>3,798,096</b> | <b>3,098,096</b>                 |

## 29.5 Information Relating to Subsidiaries of the Bank

| As at 31 December                                              | Ownership Interest<br>Held by the Bank |           |
|----------------------------------------------------------------|----------------------------------------|-----------|
|                                                                | 2016<br>%                              | 2015<br>% |
| <b>Quoted Subsidiaries</b>                                     |                                        |           |
| Property Development PLC (PDL)                                 | 95.55                                  | 95.55     |
| Merchant Bank of Sri Lanka & Finance PLC (MBSL)                | 74.49                                  | 74.49     |
| <b>Unquoted Subsidiaries</b>                                   |                                        |           |
| BOC Management & Support Services (Private) Limited (MSS)      | 100.00                                 | 100.00    |
| BOC Property Development & Management (Private) Limited (PDML) | 100.00                                 | 100.00    |
| BOC Travels (Private) Limited (TRAVELS)                        | 100.00                                 | 100.00    |
| Hotels Colombo (1963) Limited (HCL)                            | 99.99                                  | 99.99     |
| Ceybank Holiday Homes (Private) Limited (HH)                   | 100.00                                 | 100.00    |
| MBSL Insurance Company Limited (MBSL INS)                      | 62.66                                  | 62.66     |
| Koladeniya Hydropower (Private) Limited (KHP)                  | 95.55                                  | 95.55     |
| Bank of Ceylon (UK) Limited (BOC UK)                           | 100.00                                 | 100.00    |

Ceybank Holiday Homes (Private) Limited, MBSL Insurance Company Limited and Koladeniya Hydropower (Private) Limited are indirect subsidiaries of the Bank.

## 29.6 Non-Controlling Interest (NCI) of Subsidiaries

|                                                         | 2016    |         |          |        |
|---------------------------------------------------------|---------|---------|----------|--------|
|                                                         | PDL     | MBSL    | MBSL INS | KHP    |
| Equity interest held by the NCI (%)                     | 4.45    | 25.51   | 37.34    | 4.45   |
| Profit/(Loss) allocated during the year (LKR '000)      | 18,500  | 44,936  | (87,842) | 2,312  |
| Accumulated balance of NCI as at 31 December (LKR '000) | 136,408 | 792,117 | 34,315   | 19,540 |
| Dividends paid to NCI (LKR '000)                        | 52,866  | -       | -        | -      |

|                                                         | 2015    |         |          |        |
|---------------------------------------------------------|---------|---------|----------|--------|
|                                                         | PDL     | MBSL    | MBSL INS | KHP    |
| Equity interest held by the NCI (%)                     | 4.45    | 25.51   | 37.34    | 4.45   |
| Profit/(Loss) allocated during the year (LKR '000)      | 15,519  | 29,256  | (33,874) | 2,959  |
| Accumulated balance of NCI as at 31 December (LKR '000) | 166,281 | 816,587 | 131,717  | 17,223 |
| Dividends paid to NCI (LKR '000)                        | 8,811   | -       | -        | -      |

## 29.7 Summarised Financial Information of Subsidiaries

| <i>For the year ended 31 December</i>                | 2016            |                  |                 |                  |                     |
|------------------------------------------------------|-----------------|------------------|-----------------|------------------|---------------------|
|                                                      | PDL<br>LKR '000 | MBSL<br>LKR '000 | MSS<br>LKR '000 | PDML<br>LKR '000 | TRAVELS<br>LKR '000 |
| <b>Statement of Profit or Loss</b>                   |                 |                  |                 |                  |                     |
| Total income                                         | 839,397         | 4,888,154        | 671             | 271,601          | 110,073             |
| Profit/(Loss) after tax                              | 415,723         | 176,149          | 419             | 108,014          | 26,711              |
| Other comprehensive income                           | 100,983         | (79,086)         | –               | (341)            | 546                 |
| Total comprehensive income                           | 516,706         | 97,063           | 419             | 107,673          | 27,257              |
| <b>Statement of Financial Position</b>               |                 |                  |                 |                  |                     |
| Total assets                                         | 4,659,695       | 31,933,847       | 9,925           | 1,582,329        | 300,012             |
| Total liabilities                                    | 1,594,340       | 28,828,725       | 387             | 78,975           | 87,944              |
| Net assets                                           | 3,065,355       | 3,105,122        | 9,538           | 1,503,354        | 212,068             |
| Dividends paid                                       | 1,188,000       | –                | –               | 20,200           | 5,000               |
| <b>Statement of Cash Flows</b>                       |                 |                  |                 |                  |                     |
| Operating cash flows                                 | 194,024         | (783,969)        | (273)           | 91,228           | (11,622)            |
| Investing cash flows                                 | 328,616         | (484,106)        | 56              | (158,614)        | (19,884)            |
| Financing cash flows                                 | (179,857)       | 1,345,090        | –               | (20,200)         | (7,351)             |
| Net increase/(decrease) in cash and cash equivalents | 342,783         | 77,015           | (217)           | (87,586)         | (38,857)            |
| <br>                                                 |                 |                  |                 |                  |                     |
| <i>For the year ended 31 December</i>                | 2015            |                  |                 |                  |                     |
|                                                      | PDL<br>LKR '000 | MBSL<br>LKR '000 | MSS<br>LKR '000 | PDML<br>LKR '000 | TRAVELS<br>LKR '000 |
| <b>Statement of Profit or Loss</b>                   |                 |                  |                 |                  |                     |
| Total income                                         | 711,485         | 4,199,057        | 513             | 245,044          | 98,534              |
| Profit/(Loss) after tax                              | 348,743         | (91,219)         | 351             | 56,505           | 32,745              |
| Other comprehensive income                           | 263,531         | (26,304)         | –               | 412              | 43                  |
| Total comprehensive income                           | 612,274         | (117,523)        | 351             | 56,917           | 32,788              |
| <b>Statement of Financial Position</b>               |                 |                  |                 |                  |                     |
| Total assets                                         | 4,205,069       | 28,256,613       | 9,527           | 1,488,095        | 264,869             |
| Total liabilities                                    | 468,420         | 25,261,467       | 408             | 72,214           | 75,058              |
| Net assets                                           | 3,736,649       | 2,995,146        | 9,119           | 1,415,881        | 189,811             |
| Dividends paid                                       | 198,000         | –                | –               | 40,400           | 4,500               |
| <b>Statement of Cash Flows</b>                       |                 |                  |                 |                  |                     |
| Operating cash flows                                 | 123,184         | 1,930,366        | (128)           | 18,235           | 30,394              |
| Investing cash flows                                 | 771,303         | 1,572,409        | (2,581)         | (75,559)         | (4,715)             |
| Financing cash flows                                 | (180,426)       | (3,531,908)      | (24)            | (40,400)         | (6,849)             |
| Net increase/(decrease) in cash and cash equivalents | 714,061         | (29,133)         | (2,733)         | (97,724)         | 18,830              |

| For the year ended 31 December                       | 2016            |                |                      |                 |                    |
|------------------------------------------------------|-----------------|----------------|----------------------|-----------------|--------------------|
|                                                      | HCL<br>LKR '000 | HH<br>LKR '000 | MBSL INS<br>LKR '000 | KHP<br>LKR '000 | BOC UK<br>LKR '000 |
| <b>Statement of Profit or Loss</b>                   |                 |                |                      |                 |                    |
| Total income                                         | 237,237         | 146,221        | 1,503,367            | 92,572          | 434,757            |
| Profit/(Loss) after tax                              | 12,709          | (99)           | (235,248)            | 51,950          | (24,417)           |
| Other comprehensive income                           | –               | –              | (10,620)             | 103             | (396,425)          |
| Total comprehensive income                           | 12,709          | (99)           | (245,868)            | 52,053          | (420,842)          |
| <b>Statement of Financial Position</b>               |                 |                |                      |                 |                    |
| Total assets                                         | 285,483         | 28,871         | 1,769,111            | 466,631         | 25,673,579         |
| Total liabilities                                    | 64,898          | 27,831         | 1,677,211            | 27,537          | 23,215,837         |
| Net assets                                           | 220,585         | 1,040          | 91,900               | 439,094         | 2,457,742          |
| Dividends paid                                       | –               | –              | –                    | –               | –                  |
| <b>Statement of Cash Flows</b>                       |                 |                |                      |                 |                    |
| Operating cash flows                                 | 6,731           | 63             | (234,589)            | 60,205          | (139,137)          |
| Investing cash flows                                 | 249             | (1,608)        | 218,070              | (78,262)        | (9,386)            |
| Financing cash flows                                 | (1,750)         | –              | –                    | –               | –                  |
| Net increase/(decrease) in cash and cash equivalents | 5,230           | (1,545)        | (16,519)             | (18,057)        | (148,523)          |

| For the year ended 31 December                       | 2015            |                |                      |                 |                    |
|------------------------------------------------------|-----------------|----------------|----------------------|-----------------|--------------------|
|                                                      | HCL<br>LKR '000 | HH<br>LKR '000 | MBSL INS<br>LKR '000 | KHP<br>LKR '000 | BOC UK<br>LKR '000 |
| <b>Statement of Profit or Loss</b>                   |                 |                |                      |                 |                    |
| Total income                                         | 262,457         | 134,985        | 1,215,291            | 97,234          | 374,252            |
| Profit/(Loss) after tax                              | (14,686)        | (2,926)        | (108,871)            | 66,505          | (64,870)           |
| Other comprehensive income                           | 2,068           | –              | (7,386)              | 90              | (1,911)            |
| Total comprehensive income                           | (12,618)        | (2,926)        | (116,257)            | 66,595          | (66,781)           |
| <b>Statement of Financial Position</b>               |                 |                |                      |                 |                    |
| Total assets                                         | 289,838         | 28,605         | 1,920,340            | 414,767         | 26,855,102         |
| Total liabilities                                    | 78,402          | 27,498         | 1,586,809            | 27,726          | 23,976,518         |
| Net assets                                           | 211,436         | 1,107          | 333,531              | 387,041         | 2,878,584          |
| Dividends paid                                       | –               | –              | –                    | –               | –                  |
| <b>Statement of Cash Flows</b>                       |                 |                |                      |                 |                    |
| Operating cash flows                                 | (4,826)         | 4,745          | 5,154                | 74,894          | 1,709              |
| Investing cash flows                                 | 70              | (1,486)        | (11,779)             | (67,265)        | (9,184)            |
| Financing cash flows                                 | (3,000)         | –              | (1,384)              | –               | –                  |
| Net increase/(decrease) in cash and cash equivalents | (7,756)         | 3,259          | (8,009)              | 7,629           | (7,475)            |



### 30. Investment in Associate Companies

Associates are those entities in which the Bank has significant influence, but not control, over the financial and operating policies. Investments in associate entities are accounted for using the equity method (equity-accounted investees) and are recognised initially at cost. The cost of the investment includes transaction costs.

The Consolidated Financial Statements include the Bank's share of the profit or loss and other comprehensive income, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Bank's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest, including any long-term investments, is reported at nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee. If the associate subsequently reports profits, the Bank resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

A list of the Bank's associates is shown in Note 30.4 to the Financial Statements.

The Bank discontinues the use of the Equity Method from the date that it ceases to have significant influence over an associate and accounts for such investments in accordance with the Sri Lanka Accounting Standard – LKAS 39 on 'Financial Instruments: Recognition and Measurement'.

Upon loss of significant influence over the associate, the Bank measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

#### 30.1 Unquoted Associates

| As at 31 December                                                                         | Bank             |                                     |                  |                                     | Group                       |                                     |                             |                                     |
|-------------------------------------------------------------------------------------------|------------------|-------------------------------------|------------------|-------------------------------------|-----------------------------|-------------------------------------|-----------------------------|-------------------------------------|
|                                                                                           | 2016             |                                     | 2015             |                                     | 2016                        |                                     | 2015                        |                                     |
|                                                                                           | Cost<br>LKR '000 | Directors'<br>Valuation<br>LKR '000 | Cost<br>LKR '000 | Directors'<br>Valuation<br>LKR '000 | Equity<br>Value<br>LKR '000 | Directors'<br>Valuation<br>LKR '000 | Equity<br>Value<br>LKR '000 | Directors'<br>Valuation<br>LKR '000 |
| Ceybank Asset Management Limited<br>(1,240,002 ordinary shares)                           | 31,048           | 31,048                              | 31,048           | 31,048                              | 216,704                     | 216,704                             | 199,108                     | 199,108                             |
| Lanka Securities (Private) Limited<br>(3,594,857 ordinary shares)                         | 41,940           | 41,940                              | 41,940           | 41,940                              | 131,006                     | 131,006                             | 138,406                     | 138,406                             |
| Mireka Capital Land (Private) Limited*<br>(75,000,000 ordinary shares)                    | –                | –                                   | 750,000          | 750,000                             | –                           | –                                   | 1,511,877                   | 1,511,877                           |
| Southern Development Financial<br>Company Limited<br>(2,500,001 ordinary shares)          | 25,000           | –                                   | 25,000           | –                                   | –                           | –                                   | –                           | –                                   |
| Transnational Lanka Records Solutions<br>(Private) Limited<br>(2,000,000 ordinary shares) | 20,000           | 20,000                              | 20,000           | 20,000                              | 72,959                      | 72,959                              | 62,926                      | 62,926                              |
| <b>Total investment in unquoted associates</b>                                            | <b>117,988</b>   | <b>92,988</b>                       | <b>867,988</b>   | <b>842,988</b>                      | <b>420,669</b>              | <b>420,669</b>                      | <b>1,912,317</b>            | <b>1,912,317</b>                    |
| Provision for impairment of investments<br>in associates                                  | (25,000)         | –                                   | (25,000)         | –                                   | –                           | –                                   | –                           | –                                   |
| <b>Net investment in unquoted associates</b>                                              | <b>92,988</b>    | <b>92,988</b>                       | <b>842,988</b>   | <b>842,988</b>                      | <b>420,669</b>              | <b>420,669</b>                      | <b>1,912,317</b>            | <b>1,912,317</b>                    |

\*Mireka Capital Land (Private) Limited (MCL) was disposed on 30 December 2016 for the amount of LKR 3.88 billion. The effects on this transaction have been adjusted in these Financial Statements.



### 30.2 Movement in Investment in Associate Companies

|                                     | Bank             |                  | Group            |                  |
|-------------------------------------|------------------|------------------|------------------|------------------|
|                                     | Cost             |                  | Equity Value     |                  |
|                                     | 2016<br>LKR '000 | 2015<br>LKR '000 | 2016<br>LKR '000 | 2015<br>LKR '000 |
| Balance as at 1 January             | 867,988          | 867,988          | 1,912,317        | 1,870,035        |
| Increase/(Decrease) in investment   | (750,000)        | –                | (1,501,333)      | –                |
| Share of profit/(loss), net of tax  | –                | –                | 62,952           | 93,590           |
| Share of other comprehensive income | –                | –                | 2,174            | 416              |
| Share of dividends                  | –                | –                | (55,441)         | (53,938)         |
| Other adjustments                   | –                | –                | –                | 2,214            |
| <b>Balance as at 31 December</b>    | <b>117,988</b>   | <b>867,988</b>   | <b>420,669</b>   | <b>1,912,317</b> |

### 30.3 Movement in Provision for Impairment of Investment in Associate Companies

|                                   | Bank                    |                  |
|-----------------------------------|-------------------------|------------------|
|                                   | 2016<br>LKR '000        | 2015<br>LKR '000 |
|                                   | Balance as at 1 January | 25,000           |
| Impairment charge during the year | –                       | –                |
| <b>Balance as at 31 December</b>  | <b>25,000</b>           | <b>25,000</b>    |

### 30.4 Share Holding Structure of Associate Companies

| Name of the Company                                            | Equity Interest % |       | Shareholding Structure                       |           |
|----------------------------------------------------------------|-------------------|-------|----------------------------------------------|-----------|
|                                                                | 2016              | 2015  | Name                                         | Holding % |
| Ceybank Asset Management Limited (CAML)                        | 43.36             | 43.36 | Bank of Ceylon                               | 43.36     |
|                                                                |                   |       | Sri Lanka Insurance Corporation              | 26.57     |
|                                                                |                   |       | Unit Trust of India                          | 17.48     |
|                                                                |                   |       | Carson Cumberbatch PLC                       | 12.59     |
| Lanka Securities (Private) Limited (LSL)                       | 41.60             | 41.60 | First Capital Securities Corporation Limited | 51.00     |
|                                                                |                   |       | Merchant Bank of Sri Lanka & Finance PLC     | 29.00     |
|                                                                |                   |       | Bank of Ceylon                               | 20.00     |
|                                                                |                   |       | (Bank of Ceylon indirectly hold 21.6%)       |           |
| Transnational Lanka Records Solutions (Private) Limited (TLRS) | 24.69             | 24.69 | Transnational (Pte) Limited – Singapore      | 62.96     |
|                                                                |                   |       | Bank of Ceylon                               | 24.69     |
|                                                                |                   |       | Seylan Bank PLC                              | 12.35     |
| Southern Development Financial Company Limited (SDFC)*         | 41.67             | 41.67 | Bank of Ceylon                               | 41.67     |
|                                                                |                   |       | People's Bank                                | 41.67     |
|                                                                |                   |       | Southern Development Authority of Sri Lanka  | 16.66     |

\*SDFC is not in operation and in the process of liquidation.

### 30.5 Summarised Financial Information of Associates

| For the year ended 31 December         | 2016             |                 |                  |
|----------------------------------------|------------------|-----------------|------------------|
|                                        | CAML<br>LKR '000 | LSL<br>LKR '000 | TLRS<br>LKR '000 |
| <b>Statement of Profit or Loss</b>     |                  |                 |                  |
| Total income                           | 173,482          | 89,605          | 121,861          |
| Profit/(Loss) before tax               | 84,185           | (18,749)        | 89,617           |
| Profit/(Loss) after tax                | 69,514           | (21,358)        | 83,158           |
| Other comprehensive income             | (11,809)         | 3,569           | –                |
| Total comprehensive income             | 57,705           | (17,789)        | 83,158           |
| <b>Statement of Financial Position</b> |                  |                 |                  |
| Current assets                         | 380,618          | 356,787         | 30,443           |
| Total assets                           | 551,965          | 391,591         | 503,735          |
| Current liabilities                    | 30,220           | 46,976          | 4,877            |
| Total liabilities                      | 52,187           | 76,676          | 208,230          |
| Net assets                             | 499,778          | 314,915         | 295,505          |
| Dividends paid                         | 17,160           | –               | 32,400           |
| Dividends received to the Bank (net)   | 7,156            | –               | 10,500           |

| For the year ended 31 December         | 2015             |                 |                 |                  |
|----------------------------------------|------------------|-----------------|-----------------|------------------|
|                                        | CAML<br>LKR '000 | LSL<br>LKR '000 | MCL<br>LKR '000 | TLRS<br>LKR '000 |
| <b>Statement of Profit or Loss</b>     |                  |                 |                 |                  |
| Total income                           | 144,523          | 158,050         | 895,827         | 71,534           |
| Profit/(Loss) before tax               | 76,904           | 24,413          | 112,320         | 55,523           |
| Profit/(Loss) after tax                | 65,359           | 19,114          | 100,387         | 50,422           |
| Other comprehensive income             | (5,036)          | (2,504)         | 9,103           | –                |
| Total comprehensive income             | 60,323           | 16,610          | 109,490         | 50,422           |
| <b>Statement of Financial Position</b> |                  |                 |                 |                  |
| Current assets                         | 327,272          | 444,237         | 958,881         | 49,389           |
| Total assets                           | 509,222          | 478,049         | 4,560,802       | 428,670          |
| Current liabilities                    | 28,848           | 116,397         | 761,440         | 30,472           |
| Total liabilities                      | 50,025           | 145,346         | 770,747         | 173,797          |
| Net assets                             | 459,197          | 332,703         | 3,790,055       | 254,873          |
| Dividends paid                         | 17,160           | 41,940          | 46,875          | 31,914           |
| Dividends received to the Bank (net)   | 6,863            | 1,730           | 33,750          | 5,000            |

## 31. Investment Property

### Accounting Policy

#### Recognition

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

#### Measurement

Investment property is accounted for under Cost Model in the Financial Statements. Accordingly, after initial recognition as an asset, the property is carried at its cost, less accumulated depreciation and impairment losses.

If any property is reclassified to investment property due to changes in its use, fair value of such property at the date of reclassification becomes its cost for subsequent accounting.

#### Depreciation

Depreciation is provided on a straight-line basis over the estimated life of the class of asset from the date of purchase up to the date of disposal. Provision for depreciation is made over the period of 20 years at the rate of 5% per annum using the straight-line method for buildings classified as investment property. Land is not depreciated under normal circumstances.

#### Derecognition

Investment properties are derecognised when they are disposed of or permanently withdrawn from use since no future economic benefits are expected. Transfers are made to and from investment property only when there is a change in use. When the use of a property changes such that it is reclassified as Property, Plant and Equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

|                                              | Bank             |                  | Group            |                  |
|----------------------------------------------|------------------|------------------|------------------|------------------|
|                                              | 2016<br>LKR '000 | 2015<br>LKR '000 | 2016<br>LKR '000 | 2015<br>LKR '000 |
| <b>Cost</b>                                  |                  |                  |                  |                  |
| Balance as at 1 January                      | –                | –                | 165,876          | 165,876          |
| Disposals during the year                    | –                | –                | (15,791)         | –                |
| Transfers from Property, Plant and Equipment | 3,000,000        | –                | –                | –                |
| Balance as at 31 December                    | 3,000,000        | –                | 150,085          | 165,876          |
| <b>Less: Accumulated Depreciation</b>        |                  |                  |                  |                  |
| Balance as at 1 January                      | –                | –                | 20,036           | 17,000           |
| Charge for the year                          | –                | –                | 2,961            | 3,036            |
| Disposal/Transfer                            | –                | –                | (582)            | –                |
| Balance as at 31 December                    | –                | –                | 22,415           | 20,036           |
| <b>Net investment properties</b>             | <b>3,000,000</b> | <b>–</b>         | <b>127,670</b>   | <b>145,840</b>   |

During the year the Bank has classified a property at York Street, Colombo 1 from Property Plant and Equipment to Investment Property due to cessation of the owner occupation. This property covers land area of 181.85 perches and building at site runs to six floors with a basement floor consists with 261,610 square feet.

The carrying value of the property as of 31 December 2016 stood at LKR 1,605.4 million and the entire property was valued to LKR 3,000.0 million by Mr K T D Tissera – Chartered Valuation Surveyor [Diploma in Valuation (Sri Lanka), FRICS (Eng), FIV (Sri Lanka)] based on the investment method of valuation. The Bank has considered this value as the fair value of the property when classifying said property as an investment property. Accordingly revaluation gain of LKR 1,394.6 million has been identified and accounted for by the Bank as of 31 December 2016.

### 31.1 Unobservable Inputs Considered in Measuring Fair Value

| Significant Unobservable Inputs | Range of Estimates for Unobservable Inputs | Sensitivity of Fair Value to Unobservable Inputs |
|---------------------------------|--------------------------------------------|--------------------------------------------------|
| Estimated value per perch       | LKR 12.0 million<br>LKR 16.0 million       | Positive correlated sensitivity                  |

### 31.2 Investment Properties Held by the Group

| As at 31 December                                                        | Building<br>(Sq. ft) | Extent of Land<br>(Perches) | 2016             |                      |                   |                                 | 2015                      |                                 |
|--------------------------------------------------------------------------|----------------------|-----------------------------|------------------|----------------------|-------------------|---------------------------------|---------------------------|---------------------------------|
|                                                                          |                      |                             | Cost             |                      |                   | Fair Value<br>Total<br>LKR '000 | Cost<br>Total<br>LKR '000 | Fair Value<br>Total<br>LKR '000 |
|                                                                          |                      |                             | Land<br>LKR '000 | Building<br>LKR '000 | Total<br>LKR '000 |                                 |                           |                                 |
| Nos. 64 and 66, Nonagama Road, Pallegama, Embilipitiya                   | -                    | 16.61                       | 1,750            | -                    | 1,750             | 26,200                          | 1,750                     | 13,000                          |
| No. 300/8, Thalawathugoda Road, Madiwela, Kotte                          | 2,000                | 16.15                       | -                | -                    | -                 | -                               | 5,100                     | 14,727                          |
| No. 385/1, Kotte Road, Pittakotte                                        | 2,896                | 19.01                       | 2,958            | 1,730                | 4,688             | 5,298                           | 4,688                     | 5,298                           |
| No. 116/4, 116/7, 116/26, 116/27, 116/29<br>1st Cross Street, Colombo 01 | -                    | 12.35                       | 1,249            | -                    | 1,249             | 2,602                           | 1,249                     | 2,602                           |
| No. 43,45,49,51 and 53, New Olcott Mawatha, Colombo 11                   | -                    | 7.50                        | -                | -                    | -                 | -                               | 9,950                     | 75,000                          |
| No. 102 and 104, Dam Street, Colombo 12                                  | 20,368               | 50.70                       | 17,970           | 11,989               | 29,959            | 233,000                         | 29,959                    | 233,000                         |
| Kumbuthukuliya Watte, Bangadeniya Road, Puttalam                         | -                    | 320.00                      | 600              | -                    | 600               | 3,400                           | 600                       | 3,400                           |
| Mirissawelawatta Hena; Thekkawatta, Dambadeniya                          | -                    | 188.00                      | 162              | -                    | 162               | 2,000                           | 162                       | 600                             |
| No. 50/21, Old Kesbawa Road, Raththanapitiya,<br>Boralesgamuwa           | -                    | 364.35                      | 65,604           | 44,396               | 110,000           | 298,015                         | 110,000                   | 298,015                         |
| No. 64, Gabadawa Estate, Pitipana, Homagama                              | -                    | 10.00                       | 686              | -                    | 686               | 1,400                           | 1,427                     | 2,900                           |
| No. 2, Plan No. 1206, Silverberst Estate,<br>Pitipana, Homagama          | -                    | 100.70                      | 991              | -                    | 991               | 2,014                           | 991                       | 2,014                           |
| <b>Total</b>                                                             |                      |                             | <b>91,970</b>    | <b>58,115</b>        | <b>150,085</b>    | <b>573,929</b>                  | <b>165,876</b>            | <b>650,556</b>                  |

**Note:**

**31.2. a** The fair value of the investment properties as at 31 December 2016 was based on market valuations carried out in the years 2011, 2013, 2014 and 2016 by Mr D N Dhammika Baranage [RICS (UK), DIV AIS (SL)] and Mr H A W Perera [B Sc Estate Management and Valuation (Special)], Mr Samantha Kumara Madawan Arachchi [B Sc Estate Management and Valuation (Special), City Planning (JP), Dip (UPM)NI, AIREV] and Mr A G Gunarathne [B.Sc. Estate Mgt & Valuation, F.I.V (Sri Lanka)], Mr L G T Thungasiri [(AIV) F.I.V (Sri Lanka), Dip. in Valuation (SLTC)], who are independent valuers not connected with the companies. The Directors have reviewed values of the investment properties as at 31 December 2016 and concluded that there was no impairment.

## 32. Property, Plant and Equipment

### Recognition

Property, Plant and Equipment (PPE) are recognised if it is probable that future economic benefits associated with the assets will flow to the Group and the cost of the asset can be reliably measured.

### Measurement

Cost of Property, Plant and Equipment includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Items of Property, Plant and Equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Revaluation model is applied for entire class of freehold land and buildings and buildings on leasehold lands. The 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 are taken into account in measuring the fair value.

Properties that carried at revaluation amount being their fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Freehold land and building of the Group are revalued every three to five years or more frequently if the fair values are substantially different from their carrying amounts to ensure that the carrying amounts do not differ from the fair values at the Reporting date. Any surplus arising on revaluation of an asset is accumulated under the Revaluation Reserve in Equity through Other Comprehensive Income. However, if there is any revaluation deficit of the same asset previously recognised on profit or loss, revaluation surplus is recognised on profit or loss to the extent it reverse such deficit. Any deficit arising on revaluation of a asset is recognised in profit or loss and such deficit is recognised in Other Comprehensive Income to the extend of any credit balance existing in the revaluation reserve in respect of that asset.

Accumulated depreciation as at revaluation date is eliminated against the gross carrying amount of assets and the net amount restated to the revalued amount of the assets. Where the carrying value of the Property, Plant and Equipment are reviewed for impairment, when an event or changes in circumstances indicate that the carrying value may not be recoverable.

When parts of an item of Property, Plant and Equipment have different useful lives, they are accounted for as separate items (major components) of Property, Plant and Equipment.

## Subsequent Costs

The cost of replacing a part 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 the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of Property, Plant and Equipment are recognised in the Statement of Profit or Loss in 'Other operating expenses' (Note 15) as incurred.

## Capital Work in Progress

Capital work in progress is stated at cost. These are expenses of a capital nature directly incurred in the construction of buildings, awaiting capitalisation.

## Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

## Depreciation

Depreciation is recognised in Statement of Profit or Loss on a straight-line basis over the estimated useful lives of each part of an item of Property, Plant and Equipment since this method most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets under finance leases are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. Further, cost of expansion and major renovations on the building are depreciated over the remaining useful lives of the original buildings.

Provisioning for depreciation of Property, Plant and Equipment is made on pro rata basis.

The Group's estimated useful lives for the current and comparative periods are as follows:

|                        |             |
|------------------------|-------------|
| Freehold buildings     | 40-60 years |
| Office equipment       | 08 years    |
| Furniture and fittings | 08 years    |
| Computer equipment     | 05 years    |
| Motor vehicles         | 04 years    |
| Power plant            | 20 years    |

Depreciation methods, useful lives and residual values are reassessed at each financial year end and adjusted if appropriate.

## Useful Life and Residual Values

Residual value is the amount that Group could receive for an asset at the Reporting date if the asset was already at the age and in the condition that it will be in when the Group expects to dispose it.

The residual and useful life of an asset are reviewed at least at each Reporting date, changes in the residual value and useful life are accounted for prospectively as a change in an accounting estimate only if the residual value is material.

## Derecognition

The carrying amount of an item of Property, Plant and Equipment is derecognised on disposal, replacement or when no future economic benefits are expected from its use. The gain or loss arising from the de-recognition of an item of Property, Plant and Equipment is included in the 'Other operating income (Note 12)/Other operating expenses (Note 15)' in the Statement of Profit or Loss in the year the item is derecognised.

## Reclassification as Investment Property

When the use of property changes such that is reclassified as investment property, its fair value at the date of reclassification becomes its cost for subsequent accounting. Any gain arising on remeasurement is recognised in the Statement of Profit or Loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognised in other comprehensive income and presented in revaluation reserve in equity. Any loss is recognised immediately in the Statement of Profit or Loss.

### 32.1 Bank

|                                                                   | Freehold Land<br>LKR '000 | Freehold Building<br>LKR '000 | Building on Leasehold Land<br>LKR '000 | Equipment (Note 32.12.1)<br>LKR '000 | Motor Vehicles<br>LKR '000 | Leasehold Motor Vehicles<br>LKR '000 | Capital Work in Progress<br>LKR '000 | 2016 Total<br>LKR '000 | 2015 Total<br>LKR '000 |
|-------------------------------------------------------------------|---------------------------|-------------------------------|----------------------------------------|--------------------------------------|----------------------------|--------------------------------------|--------------------------------------|------------------------|------------------------|
| <b>Cost or Valuation</b>                                          |                           |                               |                                        |                                      |                            |                                      |                                      |                        |                        |
| As at 1 January                                                   | 8,901,908                 | 3,081,618                     | 1,372,945                              | 10,686,794                           | 1,045,554                  | 50,377                               | 441,145                              | 25,580,341             | 24,346,690             |
| <b>Additions during the year</b>                                  |                           |                               |                                        |                                      |                            |                                      |                                      |                        |                        |
| Acquisitions                                                      | 32,717                    | 20,577                        | 3,625                                  | 1,462,444                            | 262,682                    | -                                    | 270,760                              | 2,052,805              | 1,332,486              |
| Capitalisations                                                   | -                         | 66,632                        | 310,012                                | -                                    | -                          | -                                    | (376,644)                            | -                      | -                      |
| Changes in revaluation surplus/(deficit)                          | 1,394,640                 | -                             | -                                      | -                                    | -                          | -                                    | -                                    | 1,394,640              | 8,169                  |
| <b>Transfer of accumulated depreciation on asset revaluation</b>  |                           |                               |                                        |                                      |                            |                                      |                                      |                        |                        |
| Disposals during the year                                         | -                         | (146,155)                     | -                                      | (1,043,664)                          | (60,238)                   | -                                    | (19,089)                             | (1,122,991)            | (118,534)              |
| Impairment to profit or loss                                      | -                         | -                             | -                                      | (2,127)                              | -                          | -                                    | -                                    | (2,127)                | -                      |
| Exchange rate adjustments                                         | -                         | -                             | -                                      | 4,075                                | 86                         | -                                    | -                                    | 4,161                  | 11,530                 |
| Transfers to investment property                                  | (2,414,640)               | (585,360)                     | -                                      | -                                    | -                          | -                                    | -                                    | (3,000,000)            | -                      |
| Transfers/Adjustments                                             | -                         | -                             | -                                      | -                                    | 7,060                      | (7,060)                              | -                                    | -                      | -                      |
| <b>As at 31 December</b>                                          | <b>7,914,625</b>          | <b>2,437,312</b>              | <b>1,686,582</b>                       | <b>11,107,522</b>                    | <b>1,255,144</b>           | <b>43,317</b>                        | <b>316,172</b>                       | <b>24,760,674</b>      | <b>25,580,341</b>      |
| <b>Accumulated depreciation</b>                                   |                           |                               |                                        |                                      |                            |                                      |                                      |                        |                        |
| As at 1 January                                                   | -                         | 157,847                       | 572,862                                | 7,670,294                            | 803,203                    | 50,377                               | -                                    | 9,254,582              | 8,158,357              |
| Charge for the year                                               | -                         | 158,463                       | 75,780                                 | 893,038                              | 136,633                    | -                                    | -                                    | 1,263,914              | 1,196,066              |
| <b>Transfer of accumulated depreciation on assets revaluation</b> |                           |                               |                                        |                                      |                            |                                      |                                      |                        |                        |
| Disposals during the year                                         | -                         | (146,155)                     | -                                      | (1,042,241)                          | (54,232)                   | -                                    | -                                    | (1,096,473)            | (111,384)              |
| Exchange rate adjustments                                         | -                         | -                             | -                                      | 2,714                                | (72)                       | -                                    | -                                    | 2,643                  | 11,544                 |
| Transfers/Adjustments                                             | -                         | -                             | -                                      | -                                    | 7,060                      | (7,060)                              | -                                    | -                      | -                      |
| <b>As at 31 December</b>                                          | <b>-</b>                  | <b>170,155</b>                | <b>648,642</b>                         | <b>7,523,805</b>                     | <b>892,592</b>             | <b>43,317</b>                        | <b>-</b>                             | <b>9,278,511</b>       | <b>9,254,583</b>       |
| <b>Net book value as at 31 December 2016</b>                      | <b>7,914,625</b>          | <b>2,267,157</b>              | <b>1,037,940</b>                       | <b>3,583,717</b>                     | <b>362,552</b>             | <b>-</b>                             | <b>316,172</b>                       | <b>15,482,163</b>      | <b>-</b>               |
| <b>Net book value as at 31 December 2015</b>                      | <b>8,901,908</b>          | <b>2,923,771</b>              | <b>800,083</b>                         | <b>3,016,500</b>                     | <b>242,351</b>             | <b>-</b>                             | <b>441,145</b>                       | <b>-</b>               | <b>16,325,758</b>      |



## 32.2 Group

|                                                            | Freehold Land<br>LKR '000 | Freehold Building<br>LKR '000 | Building on Leasehold Land<br>LKR '000 | Equipment (Note 32.12.2)<br>LKR '000 | Motor Vehicles<br>LKR '000 | Leasehold Motor Vehicles<br>LKR '000 | Capital Work in Progress<br>LKR '000 | 2016 Total<br>LKR '000 | 2015 Total<br>LKR '000 |
|------------------------------------------------------------|---------------------------|-------------------------------|----------------------------------------|--------------------------------------|----------------------------|--------------------------------------|--------------------------------------|------------------------|------------------------|
| <b>Cost or valuation</b>                                   |                           |                               |                                        |                                      |                            |                                      |                                      |                        |                        |
| As at 1 January                                            | 9,221,549                 | 5,410,568                     | 8,065,331                              | 11,955,654                           | 1,178,274                  | 62,954                               | 497,516                              | 36,391,846             | 35,073,536             |
| Additions during the year                                  |                           |                               |                                        |                                      |                            |                                      |                                      |                        |                        |
| Acquisitions                                               | 32,717                    | 48,429                        | 66,552                                 | 1,623,667                            | 286,518                    | -                                    | 331,903                              | 2,389,786              | 1,571,210              |
| Capitalisations                                            | -                         | 66,632                        | 310,012                                | -                                    | -                          | -                                    | (376,644)                            | -                      | -                      |
| Changes in revaluation surplus/(deficit)                   | 1,394,640                 | 103,868                       | 808,944                                | -                                    | -                          | -                                    | -                                    | 2,307,452              | 933,459                |
| Transfer of accumulated depreciation on asset revaluation  | -                         | (248,437)                     | (269,206)                              | -                                    | -                          | -                                    | -                                    | (517,643)              | (943,435)              |
| Disposals during the year                                  | -                         | -                             | (4,750)                                | (1,050,920)                          | (71,450)                   | -                                    | (81,630)                             | (1,208,750)            | (281,753)              |
| Impairment to profit/loss                                  | -                         | -                             | -                                      | (2,127)                              | -                          | -                                    | -                                    | (2,127)                | -                      |
| Exchange rate adjustments                                  | (42,816)                  | (44,296)                      | -                                      | (911)                                | 86                         | -                                    | -                                    | (87,937)               | 38,829                 |
| Transfers/Adjustments                                      | -                         | -                             | -                                      | (7,220)                              | 7,060                      | (7,060)                              | -                                    | (7,220)                | -                      |
| <b>As at 31 December</b>                                   | <b>10,606,090</b>         | <b>5,336,764</b>              | <b>8,976,883</b>                       | <b>12,518,143</b>                    | <b>1,400,488</b>           | <b>55,894</b>                        | <b>371,145</b>                       | <b>39,265,407</b>      | <b>36,391,846</b>      |
| <b>Accumulated depreciation</b>                            |                           |                               |                                        |                                      |                            |                                      |                                      |                        |                        |
| As at 1 January                                            | -                         | 451,529                       | 222,794                                | 8,345,779                            | 872,044                    | 57,897                               | -                                    | 9,950,043              | 9,427,520              |
| Charge for the year                                        | -                         | 220,914                       | 382,269                                | 1,001,893                            | 149,921                    | 3,044                                | -                                    | 1,758,041              | 1,637,836              |
| Transfer of accumulated depreciation on assets revaluation | -                         | (248,437)                     | (269,206)                              | -                                    | -                          | -                                    | -                                    | (517,643)              | (943,435)              |
| Disposals during the year                                  | -                         | -                             | (3,275)                                | (1,048,871)                          | (63,798)                   | -                                    | -                                    | (1,115,944)            | (198,205)              |
| Exchange rate adjustments                                  | -                         | (966)                         | -                                      | (864)                                | (76)                       | -                                    | -                                    | (1,906)                | 12,882                 |
| Transfers/Adjustments                                      | -                         | -                             | -                                      | (7,220)                              | 7,060                      | (7,060)                              | -                                    | (7,220)                | 13,445                 |
| <b>As at 31 December</b>                                   | <b>-</b>                  | <b>423,040</b>                | <b>332,582</b>                         | <b>8,290,717</b>                     | <b>965,151</b>             | <b>53,881</b>                        | <b>-</b>                             | <b>10,065,371</b>      | <b>9,950,043</b>       |
| <b>Net book value as at 31 December 2016</b>               | <b>10,606,090</b>         | <b>4,913,724</b>              | <b>8,644,301</b>                       | <b>4,227,426</b>                     | <b>435,337</b>             | <b>2,013</b>                         | <b>371,145</b>                       | <b>29,200,036</b>      | <b>-</b>               |
| <b>Net book value as at 31 December 2015</b>               | <b>9,221,549</b>          | <b>4,959,039</b>              | <b>7,842,537</b>                       | <b>3,609,875</b>                     | <b>306,230</b>             | <b>5,057</b>                         | <b>497,516</b>                       | <b>-</b>               | <b>26,441,803</b>      |

## 32.3 Title Restriction on Property, Plant and Equipment

There were no restrictions that existed in the title of the Property, Plant and Equipment of the Bank and the Group as at the Reporting date.

## 32.4 Property, Plant and Equipment Pledged as Security for Liabilities

No freehold Property, Plant and Equipment have been pledged as security for any liability.

## 32.5 Compensation from Third Parties for Items of Property, Plant and Equipment

There were no compensation received/receivable from third parties for items of Property, Plant and Equipment which were impaired or given up.



## 32.6 Fully Depreciated Property, Plant and Equipment

The initial cost of fully-depreciated Property, Plant and Equipment which are still in use are as follows:

| As at 31 December                 | 2016             |                  | 2015             |                  |
|-----------------------------------|------------------|------------------|------------------|------------------|
|                                   | LKR '000         | LKR '000         | LKR '000         | LKR '000         |
| Motor vehicles                    | 578,506          | 613,958          | 613,438          | 645,501          |
| Computer equipment                | 2,533,514        | 3,199,381        | 2,671,694        | 3,292,094        |
| Equipment, furniture and fittings | 1,055,784        | 958,685          | 1,201,608        | 1,082,753        |
| Buildings on leasehold lands      | 98,684           | 140,708          | 98,684           | 140,708          |
| Plant and machinery               | 970,897          | 890,304          | 971,173          | 890,304          |
| <b>Total</b>                      | <b>5,237,385</b> | <b>5,803,036</b> | <b>5,556,597</b> | <b>6,051,360</b> |

## 32.7 Temporarily Idle Property, Plant and Equipment

There were no temporarily idle Property, Plant and Equipment as at the Reporting date.

## 32.8 Property, Plant and Equipment Retired from Active Use

The Group held no Property, Plant and Equipment retired from active use and which were not classified as held for sale in accordance with SLFRS 5 – 'Non-current assets held for sale and discontinued operations'.

## 32.9 Freehold Properties

The carrying value of freehold properties, that would have been recognised in the Financial Statements, if they were carried at cost less accumulated depreciation is as follows:

### 32.9.1 Bank

| As at 31 December | 2016             |                                         |                               | 2015             |                                         |                               |
|-------------------|------------------|-----------------------------------------|-------------------------------|------------------|-----------------------------------------|-------------------------------|
|                   | Cost<br>LKR '000 | Accumulated<br>Depreciation<br>LKR '000 | Net Book<br>Value<br>LKR '000 | Cost<br>LKR '000 | Accumulated<br>Depreciation<br>LKR '000 | Net Book<br>Value<br>LKR '000 |
| Land              | 488,167          | –                                       | 488,167                       | 455,450          | –                                       | 455,450                       |
| Building          | 1,042,569        | (505,403)                               | 537,166                       | 1,021,992        | (480,338)                               | 541,654                       |
| <b>Total</b>      | <b>1,530,736</b> | <b>(505,403)</b>                        | <b>1,025,333</b>              | <b>1,477,442</b> | <b>(480,338)</b>                        | <b>997,104</b>                |

### 32.9.2 Group

| As at 31 December | 2016             |                                         |                               | 2015             |                                         |                               |
|-------------------|------------------|-----------------------------------------|-------------------------------|------------------|-----------------------------------------|-------------------------------|
|                   | Cost<br>LKR '000 | Accumulated<br>Depreciation<br>LKR '000 | Net Book<br>Value<br>LKR '000 | Cost<br>LKR '000 | Accumulated<br>Depreciation<br>LKR '000 | Net Book<br>Value<br>LKR '000 |
| Land              | 498,128          | –                                       | 498,128                       | 465,411          | –                                       | 465,411                       |
| Building          | 2,171,952        | (900,148)                               | 1,271,804                     | 2,069,048        | (873,025)                               | 1,196,023                     |
| <b>Total</b>      | <b>2,670,080</b> | <b>(900,148)</b>                        | <b>1,769,932</b>              | <b>2,534,459</b> | <b>(873,025)</b>                        | <b>1,661,434</b>              |

### 32.10 Revaluation of Leasehold/Freehold Properties – Group

The following buildings on leasehold/freehold lands of the subsidiaries were revalued during the year by professionally qualified independent valuers.

| Leasehold Properties<br>Details of Properties                                                                                                                       | 2016                                |                     |                            |                                         |                                               |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------|---------------------|----------------------------|-----------------------------------------|-----------------------------------------------|
|                                                                                                                                                                     | Valuer                              | Basis of Valuation  | Carrying Value<br>LKR '000 | Revalued Amount of Building<br>LKR '000 | Surplus/<br>(Loss)<br>of Building<br>LKR '000 |
| Property Development PLC<br>Bank of Ceylon Head Office Building<br>'BOC Square',<br>Colombo 01<br>(Revalued as at 31 December 2016)                                 | M/s P B Kalugalagedara & Associates | Market value method | 6,289,157                  | 7,126,000                               | 836,843                                       |
| BOC Property Development & Management (Private) Limited<br>Bank of Ceylon – Ceybank House<br>No. 86, Sri Dalada Veediya, Kandy<br>(Revalued as at 31 December 2016) | M/s P B Kalugalagedara & Associates | Market value method | 481,755                    | 453,856                                 | (27,899)                                      |

| Freehold Properties<br>Details of Properties                                                                                                                      | 2016                                |                     |                            |                                         |                                               |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------|---------------------|----------------------------|-----------------------------------------|-----------------------------------------------|
|                                                                                                                                                                   | Valuer                              | Basis of Valuation  | Carrying Value<br>LKR '000 | Revalued Amount of Building<br>LKR '000 | Surplus/<br>(Loss)<br>of Building<br>LKR '000 |
| BOC Property Development & Management (Private) Limited<br>Bank of Ceylon – Merchant Tower<br>St. Micheal's Road, Colombo 03<br>(Revalued as at 31 December 2016) | M/s P B Kalugalagedara & Associates | Market value method | 1,739,178                  | 1,843,046                               | 103,868                                       |

### 32.11 Unobservable Inputs Considered in Measuring Fair Value

The following table depicts information about significant unobservable inputs used in measuring fair value of the assets categorised under Level 3 of the fair value hierarchy.

#### 32.11.1 Bank

| Type of Asset                | Fair Value as at<br>31.12.2016<br>LKR '000 | Valuation<br>Technique   | 2016                                   |                                            |                                                  |
|------------------------------|--------------------------------------------|--------------------------|----------------------------------------|--------------------------------------------|--------------------------------------------------|
|                              |                                            |                          | Significant Unobservable Inputs        | Range of Estimates for Unobservable Inputs | Sensitivity of Fair value to Unobservable Inputs |
| Freehold land                | 7,914,625                                  | Market comparable method | Estimated cost per perch               | LKR 17,500 – LKR 10,000,000                | Positively correlated sensitivity                |
| Freehold buildings           | 2,267,157                                  | Market comparable method | Estimated cost per square feet         | LKR 1,000 – LKR 10,000                     | Positively correlated sensitivity                |
| Buildings on leasehold lands | 1,037,940                                  | Rental value basis       | Estimated rental value per square feet | LKR 38 – LKR 150                           | Positively correlated sensitivity                |
|                              |                                            |                          | Expected market rental growth          | 0%                                         | Positively correlated sensitivity                |
|                              |                                            |                          | Discount rate                          | 3.3% – 5.5%                                | Negatively correlated sensitivity                |

### 32.11.2 Group

| Type of Asset                | Fair Value as at 31.12.2016<br>LKR '000 | Valuation Technique      | 2016                                       |                                            |                                                  |
|------------------------------|-----------------------------------------|--------------------------|--------------------------------------------|--------------------------------------------|--------------------------------------------------|
|                              |                                         |                          | Significant Unobservable Inputs            | Range of Estimates for Unobservable Inputs | Sensitivity of Fair value to Unobservable Inputs |
| Freehold land                | 10,606,090                              | Market comparable method | Estimated cost per perch                   | LKR 17,500 – LKR 10,000,000                | Positively correlated sensitivity                |
| Freehold buildings           | 4,913,724                               | Market comparable method | Estimated cost per square feet             | LKR 1,000 – LKR 10,750                     | Positively correlated sensitivity                |
| Buildings on leasehold lands | 8,644,301                               | Rental value basis       | Estimated rental value per square feet     | LKR 38 – LKR 275                           | Positively correlated sensitivity                |
|                              |                                         |                          | Expected market rental growth p.a.         | 5%                                         | Positively correlated sensitivity                |
|                              |                                         |                          | Anticipated maintenance cost               | 40%                                        | Positively correlated sensitivity                |
|                              |                                         |                          | Discount rate                              | 3.3% – 5.5%                                | Negatively correlated sensitivity                |
|                              |                                         | Investment method        | Estimated rental value per sq.m. per month | LKR 125 – LKR 200                          | Positively correlated sensitivity                |

### 32.12 Equipment

#### 32.12.1 Bank

|                                              | Computer Equipment<br>LKR '000 | Furniture and Fittings<br>LKR '000 | Office Equipment<br>LKR '000 | 2016<br>Total<br>LKR '000 | 2015<br>Total<br>LKR '000 |
|----------------------------------------------|--------------------------------|------------------------------------|------------------------------|---------------------------|---------------------------|
| <b>Cost</b>                                  |                                |                                    |                              |                           |                           |
| Balance as at 1 January                      | 5,410,325                      | 2,904,537                          | 2,371,932                    | 10,686,794                | 9,964,482                 |
| Additions during the year                    |                                |                                    |                              |                           |                           |
| – Acquisitions                               | 942,376                        | 344,434                            | 175,634                      | 1,462,444                 | 810,718                   |
| Disposals during the year                    | (991,686)                      | (23,889)                           | (28,089)                     | (1,043,664)               | (99,133)                  |
| Impairment to profit or loss                 | (1,934)                        | –                                  | (193)                        | (2,127)                   | –                         |
| Exchange rate adjustments                    | 3,614                          | 188                                | 273                          | 4,075                     | 10,727                    |
| <b>Balance as at 31 December</b>             | <b>5,362,695</b>               | <b>3,225,270</b>                   | <b>2,519,557</b>             | <b>11,107,522</b>         | <b>10,686,794</b>         |
| <b>Accumulated Depreciation</b>              |                                |                                    |                              |                           |                           |
| Balance as at 1 January                      | 4,243,062                      | 1,874,375                          | 1,552,857                    | 7,670,294                 | 6,921,314                 |
| Charge for the year                          | 452,499                        | 252,386                            | 188,153                      | 893,038                   | 836,180                   |
| Disposals during the year                    | (991,409)                      | (23,121)                           | (27,711)                     | (1,042,241)               | (98,384)                  |
| Exchange rate adjustments                    | 1,732                          | 17                                 | 965                          | 2,714                     | 11,184                    |
| <b>Balance as at 31 December</b>             | <b>3,705,884</b>               | <b>2,103,657</b>                   | <b>1,714,264</b>             | <b>7,523,805</b>          | <b>7,670,294</b>          |
| <b>Net book value as at 31 December 2016</b> | <b>1,656,811</b>               | <b>1,121,613</b>                   | <b>805,293</b>               | <b>3,583,717</b>          | <b>–</b>                  |
| Net book value as at 31 December 2015        | 1,167,263                      | 1,030,162                          | 819,075                      | –                         | 3,016,500                 |

**32.12.2 Group**

|                                              | Computer Equipment<br>LKR '000 | Furniture and Fittings<br>LKR '000 | Office Equipment<br>LKR '000 | Power Plant<br>LKR '000 | 2016 Total<br>LKR '000 | 2015 Total<br>LKR '000 |
|----------------------------------------------|--------------------------------|------------------------------------|------------------------------|-------------------------|------------------------|------------------------|
| <b>Cost</b>                                  |                                |                                    |                              |                         |                        |                        |
| Balance as at 1 January                      | 5,706,610                      | 3,477,524                          | 2,472,522                    | 298,998                 | 11,955,654             | 11,132,552             |
| Additions during the year                    |                                |                                    |                              |                         |                        |                        |
| – Acquisitions                               | 1,054,211                      | 392,276                            | 177,180                      | –                       | 1,623,667              | 940,397                |
| Disposals during the year                    | (996,235)                      | (26,219)                           | (28,466)                     | –                       | (1,050,920)            | (129,304)              |
| Impairment to profit or loss                 | (1,934)                        | –                                  | (193)                        | –                       | (2,127)                | –                      |
| Exchange rate adjustments                    | 2,214                          | (3,398)                            | 273                          | –                       | (911)                  | 12,009                 |
| Transfers/Adjustments                        | –                              | (6,099)                            | (1,121)                      | –                       | (7,220)                | –                      |
| <b>Balance as at 31 December</b>             | <b>5,764,866</b>               | <b>3,834,084</b>                   | <b>2,620,195</b>             | <b>298,998</b>          | <b>12,518,143</b>      | <b>11,955,654</b>      |
| <b>Accumulated Depreciation</b>              |                                |                                    |                              |                         |                        |                        |
| Balance as at 1 January                      | 4,479,891                      | 2,229,816                          | 1,581,624                    | 54,448                  | 8,345,779              | 7,511,145              |
| Charge for the year                          | 483,386                        | 310,818                            | 192,739                      | 14,950                  | 1,001,893              | 938,773                |
| Disposals during the year                    | (995,957)                      | (24,770)                           | (28,144)                     | –                       | (1,048,871)            | (126,040)              |
| Exchange rate adjustments                    | 546                            | (2,376)                            | 966                          | –                       | (864)                  | 11,956                 |
| Transfers/Adjustments                        | 17                             | (6,116)                            | (1,121)                      | –                       | (7,220)                | 9,945                  |
| <b>Balance as at 31 December</b>             | <b>3,967,883</b>               | <b>2,507,372</b>                   | <b>1,746,064</b>             | <b>69,398</b>           | <b>8,290,717</b>       | <b>8,345,779</b>       |
| <b>Net book value as at 31 December 2016</b> | <b>1,796,983</b>               | <b>1,326,712</b>                   | <b>874,131</b>               | <b>229,600</b>          | <b>4,227,426</b>       | <b>–</b>               |
| Net book value as at 31 December 2015        | 1,226,719                      | 1,247,708                          | 890,898                      | 244,550                 | –                      | 3,609,875              |

**32.13 The Details of Freehold Land and Building Held by the Bank as at 31 December 2016 are as Follows:**

| Name of Premises                       | Extent<br>(Perches) | Building<br>(Square Feet) | Date of Valuation | Cost or Revalued Amount of Land<br>LKR '000 | Cost or Revalued Amount of Building<br>LKR '000 | Total Value<br>LKR '000 | Accumulated Depreciation<br>LKR '000 | Written-Down Value<br>LKR '000 |
|----------------------------------------|---------------------|---------------------------|-------------------|---------------------------------------------|-------------------------------------------------|-------------------------|--------------------------------------|--------------------------------|
| <b>Central Province</b>                |                     |                           |                   |                                             |                                                 |                         |                                      |                                |
| Galaha Branch                          |                     |                           |                   |                                             |                                                 |                         |                                      |                                |
| 59/37, Deltota Road, Galaha            | 15.00               | 8,410                     | 30.11.2014        | 15,000                                      | 17,661                                          | 32,661                  | 883                                  | 31,778                         |
| Gampola Branch                         |                     |                           |                   |                                             |                                                 |                         |                                      |                                |
| 44, Kadugannawa Road, Gampola          | 175.00              | 9,832                     | 30.11.2014        | 180,675                                     | 15,806                                          | 196,481                 | 790                                  | 195,691                        |
| Hatton Branch                          |                     |                           |                   |                                             |                                                 |                         |                                      |                                |
| 46, Circular Road, Hatton              | 85.65               | 8,784                     | 30.11.2012        | 120,000                                     | 20,000                                          | 140,000                 | 1,000                                | 139,000                        |
| Hatton Staff Quarters                  |                     |                           |                   |                                             |                                                 |                         |                                      |                                |
| 110, Hatton House Road, Hatton         | 40.00               | 5,560                     | 30.11.2012        | 48,000                                      | 12,000                                          | 60,000                  | 600                                  | 59,400                         |
| Kandy 2nd City Branch                  |                     |                           |                   |                                             |                                                 |                         |                                      |                                |
| 22, Dalada Veediya, Kandy              | 42.81               | 27,081                    | 30.11.2012        | 214,000                                     | 16,000                                          | 230,000                 | 1,392                                | 228,608                        |
| Maskeliya Branch                       |                     |                           |                   |                                             |                                                 |                         |                                      |                                |
| 66, Upcot Road, Maskeliya              | 42.05               | 6,402                     | 30.11.2012        | 31,000                                      | 13,000                                          | 44,000                  | 866                                  | 43,134                         |
| Nawalapitiya Branch                    |                     |                           |                   |                                             |                                                 |                         |                                      |                                |
| 6, Gampola Road, Nawalapitiya          | 21.92               | 6,150                     | 30.11.2012        | 14,000                                      | 14,000                                          | 28,000                  | 700                                  | 27,300                         |
| Nuwara Eliya Branch                    |                     |                           |                   |                                             |                                                 |                         |                                      |                                |
| 43, Lawson Street, Nuwara Eliya        | 133.50              | 17,737                    | 30.11.2012        | 460,000                                     | 41,008                                          | 501,008                 | 2,296                                | 498,712                        |
| Nuwara Eliya Staff Quarters (Clerical) |                     |                           |                   |                                             |                                                 |                         |                                      |                                |
| 14,19, Hill Street, Nuwara Eliya       | 96.39               | 4,646                     | 31.12.2014        | 56,000                                      | 3,000                                           | 59,000                  | 2,050                                | 56,950                         |
| Talawakelle Branch                     |                     |                           |                   |                                             |                                                 |                         |                                      |                                |
| 23,25,29, Hatton Road, Talawakelle     | 25.30               | 7,236                     | 30.11.2014        | 29,920                                      | 14,305                                          | 44,225                  | 716                                  | 43,509                         |
| Talawakelle Staff Quarters             |                     |                           |                   |                                             |                                                 |                         |                                      |                                |
| Talawakelle Estate Plantation          | 160.00              | 4,898                     | 30.11.2014        | 9,600                                       | 12,240                                          | 21,840                  | 612                                  | 21,228                         |
|                                        |                     |                           |                   | 1,178,195                                   | 179,020                                         | 1,357,215               | 11,905                               | 1,345,310                      |

| Name of Premises                                                 | Extent<br>(Perches) | Building<br>(Square Feet) | Date of<br>Valuation | Cost or Revalued<br>Amount of<br>Land<br>LKR '000 | Cost or Revalued<br>Amount of<br>Building<br>LKR '000 | Total<br>Value<br>LKR '000 | Accumulated<br>Depreciation<br>LKR '000 | Written-<br>Down<br>Value<br>LKR '000 |
|------------------------------------------------------------------|---------------------|---------------------------|----------------------|---------------------------------------------------|-------------------------------------------------------|----------------------------|-----------------------------------------|---------------------------------------|
| <b>Eastern Province</b>                                          |                     |                           |                      |                                                   |                                                       |                            |                                         |                                       |
| <b>Batticaloa Branch</b>                                         |                     |                           |                      |                                                   |                                                       |                            |                                         |                                       |
| Covington Road, Batticaloa                                       | 65.00               | 6,997                     | 30.11.2014           | 26,000                                            | 16,000                                                | 42,000                     | 1,280                                   | 40,720                                |
| <b>Muttur Branch</b>                                             |                     |                           |                      |                                                   |                                                       |                            |                                         |                                       |
| No. 36/1, Ward No. 07, Muttur                                    | 71.00               | 11,847                    | 30.11.2014           | 8,000                                             | 67,745                                                | 75,745                     | 1,251                                   | 74,494                                |
| <b>Pottuvil Branch</b>                                           |                     |                           |                      |                                                   |                                                       |                            |                                         |                                       |
| Main Street, Pottuvil                                            | 10.70               | 4,977                     | 30.11.2014           | 10,750                                            | 15,750                                                | 26,500                     | 788                                     | 25,712                                |
| <b>Trincomalee Branch</b>                                        |                     |                           |                      |                                                   |                                                       |                            |                                         |                                       |
| 24, Inner Harbour Road, Trincomalee                              | 90.00               | 10,710                    | 30.11.2014           | 49,500                                            | 22,180                                                | 71,680                     | 4,436                                   | 67,244                                |
| <b>Trincomalee City Branch</b>                                   |                     |                           |                      |                                                   |                                                       |                            |                                         |                                       |
| 09, Main Street, Trincomalee                                     | 21.90               | 2,670                     | 30.11.2014           | 24,000                                            | 4,800                                                 | 28,800                     | 960                                     | 27,840                                |
| <b>Valachchenai Branch</b>                                       |                     |                           |                      |                                                   |                                                       |                            |                                         |                                       |
| Main Street, Valaichchenai                                       | 47.34               | 6,391                     | 30.11.2014           | 28,400                                            | 19,000                                                | 47,400                     | 1,086                                   | 46,314                                |
|                                                                  |                     |                           |                      | 146,650                                           | 145,475                                               | 292,125                    | 9,801                                   | 282,324                               |
| <b>Northern Province</b>                                         |                     |                           |                      |                                                   |                                                       |                            |                                         |                                       |
| <b>Jaffna Area Office and Branch</b>                             |                     |                           |                      |                                                   |                                                       |                            |                                         |                                       |
| No. 476, 476 A, Hospital Road, Jaffna                            | 166.25              | 21,393                    | 30.11.2014           | 249,500                                           | 36,445                                                | 285,945                    | 3,644                                   | 282,301                               |
| <b>Mannar Branch (Ice factory)</b>                               |                     |                           |                      |                                                   |                                                       |                            |                                         |                                       |
| 52, Pallimunai Road, Grand Bazaar, Mannar                        | 63.22               | 5,720                     | 30.11.2014           | 9,500                                             | 7,850                                                 | 17,350                     | 784                                     | 16,566                                |
| <b>Nelliadi Branch</b>                                           |                     |                           |                      |                                                   |                                                       |                            |                                         |                                       |
| No. 23, Kodikamam Road, Nelliady                                 | 162.04              | 7,661                     | 30.11.2014           | 17,750                                            | 28,750                                                | 46,500                     | 1,438                                   | 45,062                                |
| <b>Karainagar Branch</b>                                         |                     |                           |                      |                                                   |                                                       |                            |                                         |                                       |
| Post Office View, Karainagar                                     | 22.11               | 2,718                     | 30.11.2014           | 3,300                                             | 5,850                                                 | 9,150                      | 572                                     | 8,578                                 |
|                                                                  |                     |                           |                      | 280,050                                           | 78,895                                                | 358,945                    | 6,438                                   | 352,507                               |
| <b>North Western Province</b>                                    |                     |                           |                      |                                                   |                                                       |                            |                                         |                                       |
| <b>Alawwa Branch</b>                                             |                     |                           |                      |                                                   |                                                       |                            |                                         |                                       |
| 64, Giriulla Road, Alawwa                                        | 31.80               | 7,300                     | 30.11.2014           | 32,440                                            | 21,900                                                | 54,340                     | 1,096                                   | 53,244                                |
| <b>Chilaw Branch</b>                                             |                     |                           |                      |                                                   |                                                       |                            |                                         |                                       |
| Radaguru Edmund Peiris Mawatha, Chilaw                           | 37.75               | 8,304                     | 11.12.2014           | 47,000                                            | 19,000                                                | 66,000                     | 1,520                                   | 64,480                                |
| <b>Dummalasuriya Branch</b>                                      |                     |                           |                      |                                                   |                                                       |                            |                                         |                                       |
| 227, Kuliypatiya – Madampe Road, Dummalasuriya                   | 41.68               | 5,611                     | 30.11.2014           | 22,672                                            | 12,328                                                | 35,000                     | 616                                     | 34,384                                |
| <b>North western Province Office, AGM's Quart. and CM Quart.</b> |                     |                           |                      |                                                   |                                                       |                            |                                         |                                       |
| 18, Mihindu Mawatha, Kurunegala                                  | 225.00              | 17,210                    | 30.11.2012           | 157,500                                           | 29,975                                                | 187,475                    | 1,498                                   | 185,977                               |
| <b>Kurunegala Super Grade Branch</b>                             |                     |                           |                      |                                                   |                                                       |                            |                                         |                                       |
| Commercial Complex, Kurunegala                                   | –                   | 12,242                    | 30.11.2014           | –                                                 | 69,778                                                | 69,778                     | 3,488                                   | 66,290                                |
| <b>Kurunegala 2nd City Branch (Bazaar)</b>                       |                     |                           |                      |                                                   |                                                       |                            |                                         |                                       |
| 34, Colombo Road, Kurunegala                                     | 49.75               | 16,677                    | 30.11.2014           | 174,125                                           | 18,617                                                | 192,742                    | 1,862                                   | 190,880                               |
| <b>Madampe Branch</b>                                            |                     |                           |                      |                                                   |                                                       |                            |                                         |                                       |
| 10, Station Road, Madampe                                        | 114.50              | 7,032                     | 30.11.2014           | 34,900                                            | 13,100                                                | 48,000                     | 656                                     | 47,344                                |
| <b>Narammala Branch</b>                                          |                     |                           |                      |                                                   |                                                       |                            |                                         |                                       |
| 139, Negombo Road, Narammala                                     | 117.50              | 9,296                     | 30.11.2014           | 63,000                                            | 46,501                                                | 109,501                    | 3,286                                   | 106,215                               |
| <b>Madurankuliya Branch</b>                                      |                     |                           |                      |                                                   |                                                       |                            |                                         |                                       |
| No. 66, Colombo Road, Madurankuliya                              | 46.00               | 5,746                     | 30.11.2014           | 11,000                                            | 25,000                                                | 36,000                     | 1,250                                   | 34,750                                |
| <b>Malsiripura Branch (Proposed)</b>                             |                     |                           |                      |                                                   |                                                       |                            |                                         |                                       |
| No. 254, Dambulla Road, Malsiripura                              | 46.20               | –                         |                      | 46,799                                            | –                                                     | 46,799                     | –                                       | 46,799                                |
|                                                                  |                     |                           |                      | 589,436                                           | 256,199                                               | 845,635                    | 15,272                                  | 830,363                               |



| Name of Premises                                 | Extent<br>(Perches) | Building<br>(Square Feet) | Date of<br>Valuation | Cost or Revalued<br>Amount of<br>Land<br>LKR '000 | Cost or Revalued<br>Amount of<br>Building<br>LKR '000 | Total<br>Value<br>LKR '000 | Accumulated<br>Depreciation<br>LKR '000 | Written-<br>Down<br>Value<br>LKR '000 |
|--------------------------------------------------|---------------------|---------------------------|----------------------|---------------------------------------------------|-------------------------------------------------------|----------------------------|-----------------------------------------|---------------------------------------|
| <b>Sabaragamuwa Province</b>                     |                     |                           |                      |                                                   |                                                       |                            |                                         |                                       |
| Balangoda Branch                                 |                     |                           |                      |                                                   |                                                       |                            |                                         |                                       |
| 137, Main Street, Balangoda                      | 14.50               | 3,516                     | 30.11.2012           | 21,750                                            | 2,845                                                 | 24,595                     | 330                                     | 24,265                                |
| Dehiowita Branch                                 |                     |                           |                      |                                                   |                                                       |                            |                                         |                                       |
| 62 Main Street, Dehiowita                        | 38.69               | 3,819                     | 30.11.2014           | 8,288                                             | 7,018                                                 | 15,306                     | 464                                     | 14,842                                |
| Kegalle Branch                                   |                     |                           |                      |                                                   |                                                       |                            |                                         |                                       |
| 110, Colombo Road, Kegalle                       | 118.24              | 15,447                    | 30.11.2014           | 104,190                                           | 25,270                                                | 129,460                    | 1,585                                   | 127,875                               |
| Ratnapura Branch                                 |                     |                           |                      |                                                   |                                                       |                            |                                         |                                       |
| 4, Dharmapala Mawatha, Ratnapura                 | 99.70               | 9,808                     | 30.11.2014           | 69,500                                            | 14,206                                                | 83,706                     | 1,118                                   | 82,588                                |
| Land in Ratnapura                                |                     |                           |                      |                                                   |                                                       |                            |                                         |                                       |
| 195, Main Street, Ratnapura                      | 31.69               | –                         | 30.11.2014           | 58,000                                            | –                                                     | 58,000                     | –                                       | 58,000                                |
|                                                  |                     |                           |                      | 261,728                                           | 49,339                                                | 311,067                    | 3,497                                   | 307,570                               |
| <b>Southern Province</b>                         |                     |                           |                      |                                                   |                                                       |                            |                                         |                                       |
| Ambalangoda Branch                               |                     |                           |                      |                                                   |                                                       |                            |                                         |                                       |
| 345, Galle Road, Ambalangoda                     | 58.00               | 5,600                     | 14.12.2012           | 49,300                                            | 14,700                                                | 64,000                     | 980                                     | 63,020                                |
| Ambalantota Branch                               |                     |                           |                      |                                                   |                                                       |                            |                                         |                                       |
| 11 Wanduruppa Road, Ambalantota                  | 38.00               | 5,981                     | 30.11.2012           | 14,000                                            | 12,658                                                | 26,658                     | 601                                     | 26,057                                |
| Beliatta Branch                                  |                     |                           |                      |                                                   |                                                       |                            |                                         |                                       |
| No.67, Walasmulla Road, Beliatta                 | 53.02               | 6,200                     | 30.11.2014           | 37,800                                            | 35,265                                                | 73,065                     | 1,691                                   | 71,374                                |
| Galle Province Office                            |                     |                           |                      |                                                   |                                                       |                            |                                         |                                       |
| 2, Light House Street, Fort, Galle               | 32.62               | 13,160                    | 01.01.2015           | 130,000                                           | 20,000                                                | 150,000                    | 1,334                                   | 148,666                               |
| Galle Branch                                     |                     |                           |                      |                                                   |                                                       |                            |                                         |                                       |
| 2, Gamini Road, Galle                            | 31.50               | 12,600                    | 01.01.2015           | 155,000                                           | 20,000                                                | 175,000                    | 1,334                                   | 173,666                               |
| Hakmana Branch                                   |                     |                           |                      |                                                   |                                                       |                            |                                         |                                       |
| Beliatta Road, Hakmana                           | 36.70               | 3,490                     | 30.11.2014           | 28,700                                            | 8,785                                                 | 37,485                     | 555                                     | 36,930                                |
| Imaduwa Branch                                   |                     |                           |                      |                                                   |                                                       |                            |                                         |                                       |
| Ahangama Road, Imaduwa                           | 83.50               | 3,395                     | 30.11.2014           | 20,000                                            | 8,072                                                 | 28,072                     | 403                                     | 27,669                                |
| Matara Branch                                    |                     |                           |                      |                                                   |                                                       |                            |                                         |                                       |
| 11, Kumaratunga Mawatha, Matara                  | 104.40              | 15,905                    | 30.11.2014           | 186,600                                           | 18,150                                                | 204,750                    | 3,630                                   | 201,120                               |
| Matara City Branch                               |                     |                           |                      |                                                   |                                                       |                            |                                         |                                       |
| No. 58, New Tangalle Road,<br>Kotuwegoda, Matara | 49.25               | 7,105                     | 30.11.2014           | 114,350                                           | 34,600                                                | 148,950                    | 1,730                                   | 147,220                               |
| Nagoda Branch                                    |                     |                           |                      |                                                   |                                                       |                            |                                         |                                       |
| Nagoda                                           | 40.00               | 3,050                     | 30.11.2014           | 9,400                                             | 18,974                                                | 28,374                     | 508                                     | 27,866                                |
| Tangalle Branch                                  |                     |                           |                      |                                                   |                                                       |                            |                                         |                                       |
| Sea Street, Tangalle                             | 21.05               | 5,373                     | 30.11.2014           | 19,000                                            | 23,000                                                | 42,000                     | 1,150                                   | 40,850                                |
| Weeraketiya Branch                               |                     |                           |                      |                                                   |                                                       |                            |                                         |                                       |
| Beliatta Road, Weeraketiya                       | 36.89               | 4,055                     | 30.11.2014           | 20,250                                            | 13,500                                                | 33,750                     | 676                                     | 33,074                                |
| Weligama Branch                                  |                     |                           |                      |                                                   |                                                       |                            |                                         |                                       |
| 239, Main Street, Weligama                       | 97.75               | 8,100                     | 30.11.2014           | 44,000                                            | 24,000                                                | 68,000                     | 1,600                                   | 66,400                                |
| Walasmulla Branch (Proposed)                     |                     |                           |                      |                                                   |                                                       |                            |                                         |                                       |
| 453, Walasmulla South, Walasmulla                | 38.00               | –                         |                      | 32,717                                            | –                                                     | 32,717                     | –                                       | 32,717                                |
|                                                  |                     |                           |                      | 861,117                                           | 251,704                                               | 1,112,821                  | 16,192                                  | 1,096,629                             |

| Name of Premises                                                                              | Extent<br>(Perches) | Building<br>(Square Feet) | Date of<br>Valuation | Cost or Revalued<br>Amount of<br>Land<br>LKR '000 | Cost or Revalued<br>Amount of<br>Building<br>LKR '000 | Total<br>Value<br>LKR '000 | Accumulated<br>Depreciation<br>LKR '000 | Written-<br>Down<br>Value<br>LKR '000 |
|-----------------------------------------------------------------------------------------------|---------------------|---------------------------|----------------------|---------------------------------------------------|-------------------------------------------------------|----------------------------|-----------------------------------------|---------------------------------------|
| <b>Uva Province</b>                                                                           |                     |                           |                      |                                                   |                                                       |                            |                                         |                                       |
| Uva Province Office<br>Bank Road, Badulla                                                     | 118.75              | 7,366                     | 30.11.2014           | 11,750                                            | 10,272                                                | 22,022                     | 493                                     | 21,529                                |
| Bandarawela Branch<br>198 B, Badulla Road, Bandarawela                                        | 9.52                | 7,731                     | 30.11.2012           | 25,000                                            | 20,000                                                | 45,000                     | 1,000                                   | 44,000                                |
| Ettampitiya Branch<br>No. 23, Nuwara Eliya Road, Ettampitiya                                  | 20.35               | 2,560                     | 30.11.2014           | 5,792                                             | 9,721                                                 | 15,513                     | 486                                     | 15,027                                |
| Haputale Branch (Browns)<br>20, Station Road, Haputale                                        | 130.63              | 5,200                     | 30.11.2014           | 18,313                                            | 7,760                                                 | 26,073                     | 388                                     | 25,685                                |
| Moneragala Branch and Mgr's Quarters<br>and Staff Quarters<br>401, Wellawaya Road, Moneragala | 160.00              | 15,000                    | 30.11.2014           | 50,000                                            | 31,650                                                | 81,650                     | 1,582                                   | 80,068                                |
|                                                                                               |                     |                           |                      | 110,855                                           | 79,403                                                | 190,258                    | 3,949                                   | 186,309                               |
| <b>Western Province North</b>                                                                 |                     |                           |                      |                                                   |                                                       |                            |                                         |                                       |
| Borella Branch<br>71, Danister de Silva Mawatha, Borella                                      | 42.29               | 19,280                    | 30.11.2012           | 163,000                                           | 62,000                                                | 225,000                    | 3,100                                   | 221,900                               |
| Borella Branch Parking<br>Borella                                                             | 6.65                | -                         | -                    | 31,199                                            | -                                                     | 31,199                     | -                                       | 31,199                                |
| City Office<br>41, Bristol Street, Colombo 1                                                  | 39.50               | 24,952                    | 30.11.2012           | 280,000                                           | 95,000                                                | 375,000                    | 4,750                                   | 370,250                               |
| Grand Pass Branch<br>703, Sirimavo Bandaranaike Mawatha,<br>Grandpass                         | 20.12               | 6,210                     | 30.11.2014           | 70,420                                            | 21,480                                                | 91,900                     | 1,228                                   | 90,672                                |
| Gampaha Branch<br>No. 16, Rest House Road, Gampaha                                            | 34.06               | -                         | 30.11.2014           | 102,180                                           | -                                                     | 102,180                    | -                                       | 102,180                               |
| Ja-Ela Branch<br>19, Negombo Road, Ja-Ela                                                     | 40.64               | 8,090                     | 30.11.2014           | 81,280                                            | 19,836                                                | 101,116                    | 2,645                                   | 98,471                                |
| Kadawatha Branch<br>469, Ragama Road, Kadawatha                                               | 28.86               | 6,181                     | 30.11.2012           | 24,500                                            | 14,830                                                | 39,330                     | 742                                     | 38,588                                |
| Negombo Branch<br>118, Rajapakse Broadway, Negombo                                            | 97.25               | 16,760                    | 30.11.2014           | 171,160                                           | 39,950                                                | 211,110                    | 3,196                                   | 207,914                               |
| Pettah Branch<br>212/63, Gas Works Street, Colombo 11                                         | 28.29               | 24,530                    | 30.11.2014           | 212,000                                           | 36,000                                                | 248,000                    | 4,800                                   | 243,200                               |
| Dematagoda Branch (Proposed)<br>Nos. 45, 47, Kolonnawa Road,<br>Colombo 09                    | 38.14               | -                         | 30.11.2014           | 112,359                                           | -                                                     | 112,359                    | -                                       | 112,359                               |
|                                                                                               |                     |                           |                      | 1,248,098                                         | 289,096                                               | 1,537,194                  | 20,461                                  | 1,516,733                             |
| <b>Western Province South</b>                                                                 |                     |                           |                      |                                                   |                                                       |                            |                                         |                                       |
| Aluthgama Branch<br>No. 14, Douglass Gunawardana<br>Mawatha, Aluthgama                        | 36.60               | 7,151                     | 30.11.2012           | 25,620                                            | 37,800                                                | 63,420                     | 1,890                                   | 61,530                                |
| Bambalapitiya Branch<br>No. 20, Unity Plaza Building,<br>Galle Road, Colombo 04               | -                   | 7,776                     | 30.11.2014           | -                                                 | 171,600                                               | 171,600                    | 8,580                                   | 163,020                               |
| Beruwala Branch<br>No.165A, Galle Road, Beruwala                                              | 21.50               | 4,712                     | 30.11.2014           | 42,800                                            | 4,200                                                 | 47,000                     | 420                                     | 46,580                                |
| Bulathsinhala Branch<br>No. 40, Horana Road, Athura,<br>Bulathsinhala                         | 53.85               | 6,304                     | 30.11.2014           | 29,750                                            | 11,250                                                | 41,000                     | 1,125                                   | 39,875                                |
| Dehiwala Branch<br>207, Galle Road, Dehiwala                                                  | 22.00               | 12,422                    | 24.12.2014           | 77,500                                            | 33,500                                                | 111,000                    | 1,676                                   | 109,324                               |



| Name of Premises                                            | Extent<br>(Perches) | Building<br>(Square Feet) | Date of<br>Valuation | Cost or Revalued<br>Amount of<br>Land<br>LKR '000 | Cost or Revalued<br>Amount of<br>Building<br>LKR '000 | Total<br>Value<br>LKR '000 | Accumulated<br>Depreciation<br>LKR '000 | Written-<br>Down<br>Value<br>LKR '000 |
|-------------------------------------------------------------|---------------------|---------------------------|----------------------|---------------------------------------------------|-------------------------------------------------------|----------------------------|-----------------------------------------|---------------------------------------|
| <b>Horana Branch</b>                                        |                     |                           |                      |                                                   |                                                       |                            |                                         |                                       |
| 87, Anguruwatota Road, Horana                               | 70.00               | 8,568                     | 30.11.2012           | 60,000                                            | 9,445                                                 | 69,445                     | 3,725                                   | 65,720                                |
| <b>Idama (Moratuwa) Branch</b>                              |                     |                           |                      |                                                   |                                                       |                            |                                         |                                       |
| 707, Galle Road, Moratuwa                                   | 60.00               | 8,272                     | 22.12.2014           | 135,000                                           | 12,858                                                | 147,858                    | 2,441                                   | 145,417                               |
| <b>Kalutara Area Office</b>                                 |                     |                           |                      |                                                   |                                                       |                            |                                         |                                       |
| 108, Old Road, Kalutara                                     | 52.65               | 3,300                     | 30.11.2014           | 34,000                                            | 3,500                                                 | 37,500                     | 350                                     | 37,150                                |
| <b>Kalutara Branch</b>                                      |                     |                           |                      |                                                   |                                                       |                            |                                         |                                       |
| 218, Galle Road, Kalutara South,<br>Kalutara                | 45.86               | 11,436                    | 30.11.2014           | 77,630                                            | 24,833                                                | 102,463                    | 1,212                                   | 101,251                               |
| <b>Maharagama Branch and Central<br/>Training Institute</b> |                     |                           |                      |                                                   |                                                       |                            |                                         |                                       |
| No.88, Highlevel Road, Maharagama                           | 185.10              | 82,121                    | 30.11.2014           | 443,458                                           | 173,033                                               | 616,491                    | 14,427                                  | 602,064                               |
| <b>Matugama Branch</b>                                      |                     |                           |                      |                                                   |                                                       |                            |                                         |                                       |
| No. 72, Agalawatte Road, Matugama                           | 9.00                | 4,400                     | 30.11.2014           | 27,000                                            | 15,226                                                | 42,226                     | 719                                     | 41,507                                |
| <b>Nugegoda Branch</b>                                      |                     |                           |                      |                                                   |                                                       |                            |                                         |                                       |
| No. 138 A, S de S Jayasinghe<br>Mawatha, Nugegoda           | 67.50               | 53,419                    | 24.12.2014           | 235,000                                           | 265,000                                               | 500,000                    | 17,667                                  | 482,333                               |
| <b>Panadura Branch</b>                                      |                     |                           |                      |                                                   |                                                       |                            |                                         |                                       |
| No. 21, Susantha Mawatha, Panadura                          | 80.00               | 10,529                    | 30.11.2014           | 120,000                                           | 23,126                                                | 143,126                    | 1,149                                   | 141,977                               |
| <b>Wadduwa Branch (Proposed)</b>                            |                     |                           |                      |                                                   |                                                       |                            |                                         |                                       |
| No. 557/A, Galle Road Wadduwa                               | 27.70               | –                         | 30.11.2014           | 34,625                                            | –                                                     | 34,625                     | –                                       | 34,625                                |
| <b>Wellawatte Branch</b>                                    |                     |                           |                      |                                                   |                                                       |                            |                                         |                                       |
| 149/2, Galle Road, Colombo 06                               | 51.25               | 15,832                    | 30.11.2014           | 230,625                                           | 36,962                                                | 267,587                    | 1,848                                   | 265,739                               |
| <b>Panadura City Branch (Proposed)</b>                      |                     |                           |                      |                                                   |                                                       |                            |                                         |                                       |
| No. 17/3D, Jayathilaka Mawatha,<br>Panadura                 | 36.00               | –                         | –                    | 26,638                                            | –                                                     | 26,638                     | –                                       | 26,638                                |
|                                                             |                     |                           |                      | 1,599,646                                         | 822,333                                               | 2,421,979                  | 57,229                                  | 2,364,750                             |
| <b>Holiday Homes and Rests</b>                              |                     |                           |                      |                                                   |                                                       |                            |                                         |                                       |
| <b>Land in Badulla</b>                                      |                     |                           |                      |                                                   |                                                       |                            |                                         |                                       |
| 153, Spring Valley Road, Badulla                            | 222.25              | –                         | 30.11.2012           | 20,000                                            | –                                                     | 20,000                     | –                                       | 20,000                                |
| <b>Bandarawela Holiday Home</b>                             |                     |                           |                      |                                                   |                                                       |                            |                                         |                                       |
| Bandarawela                                                 | 115.00              | 3,028                     | 30.11.2012           | 8,000                                             | 6,034                                                 | 14,034                     | 344                                     | 13,690                                |
| <b>Dickoya Upper Glencarn Bungalow</b>                      |                     |                           |                      |                                                   |                                                       |                            |                                         |                                       |
| Dickoya                                                     | 189.65              | 8,665                     | 30.11.2012           | 4,500                                             | 20,500                                                | 25,000                     | 5,126                                   | 19,874                                |
| <b>Dickoya Lower Glencarn Bungalow</b>                      |                     |                           |                      |                                                   |                                                       |                            |                                         |                                       |
| Dickoya                                                     | 100.00              | 5,925                     | 30.11.2012           | 2,500                                             | 14,800                                                | 17,300                     | 2,960                                   | 14,340                                |
| <b>Haputale Woodland Bungalow</b>                           |                     |                           |                      |                                                   |                                                       |                            |                                         |                                       |
| Haputale                                                    | 120.00              | 3,010                     | 30.11.2012           | 10,800                                            | 5,900                                                 | 16,700                     | 786                                     | 15,914                                |
| <b>Jaffna Bank Rest</b>                                     |                     |                           |                      |                                                   |                                                       |                            |                                         |                                       |
| 34-34/3, Rasavinthoddam Road, Jaffna                        | 166.25              | –                         | 30.11.2014           | 86,250                                            | –                                                     | 86,250                     | –                                       | 86,250                                |
| <b>Lindula Ridge Holiday Home</b>                           |                     |                           |                      |                                                   |                                                       |                            |                                         |                                       |
| Lindula                                                     | 175.00              | 3,010                     | 30.11.2012           | 3,000                                             | 6,800                                                 | 9,800                      | 906                                     | 8,894                                 |
| <b>Nuwara Eliya Holiday Home</b>                            |                     |                           |                      |                                                   |                                                       |                            |                                         |                                       |
| 16, Hill Street, Nuwara Eliya                               | 35.27               | 3,388                     | 31.12.2014           | 35,000                                            | 10,040                                                | 45,040                     | 801                                     | 44,239                                |
| <b>Nuwara Eliya Holiday Home (Phase I)</b>                  |                     |                           |                      |                                                   |                                                       |                            |                                         |                                       |
| 12, Hill Street, Nuwara Eliya                               | 67.54               | 3,820                     | 31.12.2014           | 55,000                                            | 25,000                                                | 80,000                     | 1,250                                   | 78,750                                |
|                                                             |                     |                           |                      | 225,050                                           | 89,074                                                | 314,124                    | 12,173                                  | 301,951                               |



| Name of Premises                                                                    | Extent<br>(Perches) | Building<br>(Square Feet) | Date of<br>Valuation | Cost or Revalued<br>Amount of<br>Land<br>LKR '000 | Cost or Revalued<br>Amount of<br>Building<br>LKR '000 | Total<br>Value<br>LKR '000 | Accumulated<br>Depreciation<br>LKR '000 | Written-<br>Down<br>Value<br>LKR '000 |
|-------------------------------------------------------------------------------------|---------------------|---------------------------|----------------------|---------------------------------------------------|-------------------------------------------------------|----------------------------|-----------------------------------------|---------------------------------------|
| <b>Others</b>                                                                       |                     |                           |                      |                                                   |                                                       |                            |                                         |                                       |
| GM's Bangalow<br>75, Ananda Kumaraswamy Mawatha,<br>Colombo 07                      | 79.80               | 6,380                     | 30.11.2014           | 359,100                                           | 7,974                                                 | 367,074                    | 798                                     | 366,276                               |
| Colombo Darley Road Stores<br>Browns Building<br>481, T B Jayah Mawatha, Colombo 10 | 151.00              | 29,946                    | 22.12.2014           | 880,000                                           | 20,000                                                | 900,000                    | 4,000                                   | 896,000                               |
| Walker's & Sons<br>28, St. Michael's Road, Cololmbo 03                              | 57.00               | –                         | 30.11.2014           | 174,700                                           | –                                                     | 174,700                    | –                                       | 174,700                               |
| World Trade Centre<br>08, 8-2/1, Bank of Ceylon Mawatha,<br>Colombo 01              | –                   | 6,345                     | 30.11.2014           | –                                                 | 168,800                                               | 168,800                    | 8,440                                   | 160,360                               |
|                                                                                     |                     |                           |                      | 1,413,800                                         | 196,774                                               | 1,610,574                  | 13,238                                  | 1,597,336                             |
| <b>Grand Total</b>                                                                  |                     |                           |                      | <b>7,914,625</b>                                  | <b>2,437,312</b>                                      | <b>10,351,937</b>          | <b>170,155</b>                          | <b>10,181,782</b>                     |

### 33. Leasehold Properties

#### Accounting Policy →

The determination of whether an arrangement is a lease or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset/assets or the arrangement conveys a right to use the asset/assets, even if that right is not explicitly specified in an arrangement.

#### Group as a Lessee

Finance leases that transfer substantially all the risks and benefits incidental to ownership of the leased item to the Group, are capitalised at the commencement of the lease at the lower of fair value of the leased property or present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in the Statement of Profit or Loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset or the lease term.

Operating lease payments are recognised as an operating expense in the Statement of Profit or Loss on straight-line basis over the lease term.

|                                 | Bank             |                  | Group            |                  |
|---------------------------------|------------------|------------------|------------------|------------------|
|                                 | 2016<br>LKR '000 | 2015<br>LKR '000 | 2016<br>LKR '000 | 2015<br>LKR '000 |
| <b>Cost</b>                     |                  |                  |                  |                  |
| Balance as at 1 January         | 126,715          | 126,715          | 192,948          | 192,948          |
| Additions during the year       | –                | –                | –                | –                |
| Balance as at 31 December       | 126,715          | 126,715          | 192,948          | 192,948          |
| <b>Accumulated Amortisation</b> |                  |                  |                  |                  |
| Balance as at 1 January         | 22,062           | 19,248           | 52,618           | 48,447           |
| Amortisation during the year    | 2,814            | 2,814            | 4,175            | 4,171            |
| Balance as at 31 December       | 24,876           | 22,062           | 56,793           | 52,618           |
| <b>Net book value</b>           | <b>101,839</b>   | <b>104,653</b>   | <b>136,155</b>   | <b>140,330</b>   |

Leasehold properties represent the leasehold interest in the lands held for own use. The value of buildings situated in the leasehold land is shown separately under Property, Plant and Equipment. The interest on leasehold land is stated at cost less accumulated amortisation.

## 34. Intangible Assets

### Accounting Policy [→](#)

#### Basis of Recognition

An intangible asset is recognised if it is probable that the future economic benefits that are attributable to the asset will flow to the Group and the cost of the asset can be measured reliably. An intangible asset is initially measured at cost.

Intangible assets represent the value of computer application software and licenses, other than software applied to the operation software system of computers.

#### Measurement

Intangible assets acquired by the Group are stated at cost less accumulated amortisation and accumulated impairment losses. Subsequent expenditure incurred on intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

#### Amortisation and Impairment

Amortisation is recognised in the Statement of Profit or Loss on straight line basis over the estimated useful lives of the intangible assets, from the date that it is available for use since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful life of intangible assets is five years or the best estimate of its useful economic life whichever is lower. The intangible assets with finite lives are reviewed for impairment whenever there is an indication for impairment and recognised as expenses in the Statement of Profit or Loss to the extent that they are no longer probable of being recovered from the expected future benefits. Amortisation methods, useful lives and residual values are reviewed at each Reporting date and adjusted if appropriate.

## Derecognition

Intangible assets are derecognised when it reveals that they will not generate economic benefits or circumstances indicate that the carrying value is impaired.

Gains or losses arising from derecognition of an intangible assets are measured as the difference between the net disposal proceeds and the carrying amount of the assets and are recognised in the Statement of Profit or Loss.

|                                  | Bank             |                  | Group            |                  |
|----------------------------------|------------------|------------------|------------------|------------------|
|                                  | 2016<br>LKR '000 | 2015<br>LKR '000 | 2016<br>LKR '000 | 2015<br>LKR '000 |
| <b>Cost</b>                      |                  |                  |                  |                  |
| Balance as at 1 January          | 2,230,371        | 2,049,778        | 2,554,377        | 2,320,051        |
| Additions during the year        | 376,643          | 180,593          | 393,152          | 205,725          |
| Derecognised during the year     | (98,173)         | –                | (98,173)         | (6,327)          |
| Exchange rate adjustment         | –                | –                | (19,695)         | 5,652            |
| Adjustments/Transfers            | –                | –                | 3,097            | 29,276           |
| <b>Balance as at 31 December</b> | <b>2,508,841</b> | <b>2,230,371</b> | <b>2,832,758</b> | <b>2,554,377</b> |
| <b>Accumulated Amortisation</b>  |                  |                  |                  |                  |
| Balance as at 1 January          | 1,857,056        | 1,665,201        | 2,050,419        | 1,788,384        |
| Amortisation during the year     | 186,468          | 191,855          | 234,727          | 240,019          |
| Derecognised during the year     | (98,173)         | –                | (98,173)         | –                |
| Exchange rate adjustment         | –                | –                | (12,847)         | 2,918            |
| Adjustments/Transfers            | –                | –                | 3,002            | 19,098           |
| <b>Balance as at 31 December</b> | <b>1,945,351</b> | <b>1,857,056</b> | <b>2,177,128</b> | <b>2,050,419</b> |
| <b>Net book value</b>            | <b>563,490</b>   | <b>373,315</b>   | <b>655,630</b>   | <b>503,958</b>   |

### 34.1 Fully Amortised Intangible Assets

The initial cost of fully amortised intangible assets which are still in use are as follows:

| As at 31 December | Bank             |                  | Group            |                  |
|-------------------|------------------|------------------|------------------|------------------|
|                   | 2016<br>LKR '000 | 2015<br>LKR '000 | 2016<br>LKR '000 | 2015<br>LKR '000 |
| Computer software | 1,479,233        | 1,314,766        | 1,562,982        | 1,401,632        |
|                   | <b>1,479,233</b> | <b>1,314,766</b> | <b>1,562,982</b> | <b>1,401,632</b> |

### 35. Deferred Tax (Assets)/Liabilities

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences:

- The initial recognition of goodwill
- The initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss
- Differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the Reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities against current tax assets and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each Reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The following table shows deferred tax recorded in the Statement of Financial Position and charge/(reversal) recorded in the income tax expense (Note 17).

#### 35.1 Bank

| As at 31 December                                     | 2016                            |                                      |                                         |                                               | 2015                            |                                      |                                         |                                               |
|-------------------------------------------------------|---------------------------------|--------------------------------------|-----------------------------------------|-----------------------------------------------|---------------------------------|--------------------------------------|-----------------------------------------|-----------------------------------------------|
|                                                       | Deferred Tax Assets<br>LKR '000 | Deferred Tax Liabilities<br>LKR '000 | Statement of Profit or Loss<br>LKR '000 | Other Comprehensive Income/Equity<br>LKR '000 | Deferred Tax Assets<br>LKR '000 | Deferred Tax Liabilities<br>LKR '000 | Statement of Profit or Loss<br>LKR '000 | Other Comprehensive Income/Equity<br>LKR '000 |
| Retirement benefits                                   | –                               | (54,786)                             | (5,192)                                 | (32,038)                                      | –                               | (17,556)                             | 176,012                                 | 365,207                                       |
| Impairment allowance for loans and advances           | –                               | (890,683)                            | –                                       | –                                             | –                               | (890,683)                            | –                                       | –                                             |
| Revaluation of Property, Plant and Equipment          | –                               | 474,388                              | –                                       | –                                             | –                               | 474,388                              | –                                       | (12,318)                                      |
| Investment in financial instruments – Other countries | –                               | 131,554                              | –                                       | 8,893                                         | –                               | 122,661                              | –                                       | 122,661                                       |
| Other temporary differences                           | –                               | 1,778,812                            | (49,373)                                | –                                             | –                               | 1,828,185                            | (205,902)                               | –                                             |
|                                                       | –                               | 1,439,285                            | (54,565)                                | (23,145)                                      | –                               | 1,516,995                            | (29,890)                                | 475,550                                       |

## 35.2 Group

| As at 31 December                                     | 2016                |                          |                             |                                   | 2015                |                          |                             |                                   |
|-------------------------------------------------------|---------------------|--------------------------|-----------------------------|-----------------------------------|---------------------|--------------------------|-----------------------------|-----------------------------------|
|                                                       | Deferred Tax Assets | Deferred Tax Liabilities | Statement of Profit or Loss | Other Comprehensive Income/Equity | Deferred Tax Assets | Deferred Tax Liabilities | Statement of Profit or Loss | Other Comprehensive Income/Equity |
|                                                       | LKR '000            | LKR '000                 | LKR '000                    | LKR '000                          | LKR '000            | LKR '000                 | LKR '000                    | LKR '000                          |
| Retirement benefits                                   | (5,328)             | (52,696)                 | (4,663)                     | (30,061)                          | (4,688)             | (18,612)                 | 172,836                     | 377,122                           |
| Impairment allowance for loans and advances           | –                   | (890,683)                | –                           | –                                 | –                   | (890,683)                | –                           | –                                 |
| Revaluation of Property, Plant and Equipment          | –                   | 3,024,403                | –                           | 255,587                           | –                   | 2,768,816                | 64,320                      | 246,763                           |
| Investment in financial instruments – Other countries | –                   | 131,554                  | –                           | 8,893                             | –                   | 122,661                  | –                           | 122,661                           |
| Other temporary differences                           | (128)               | 1,866,156                | (94,887)                    | –                                 | (5,454)             | 1,966,369                | (325,220)                   | –                                 |
|                                                       | (5,456)             | 4,078,734                | (99,550)                    | 234,419                           | (10,142)            | 3,948,551                | (88,064)                    | 746,546                           |

## 36. Other Assets

### Prepaid Staff Cost

Staff loans are initially recognised at fair value according to LKAS 39 – ‘Financial Instruments: Recognition and Measurement’. The difference between granted amount and its fair value is treated as prepaid staff cost and amortise over the loan period.

### Gold Stock in Hand


The gold inventory is valued at lower of cost or net realisable value. Cost includes all cost of purchase, cost of conversion and other costs incurred in bringing the inventory to its present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost necessary to make the sale.

### Employee Benefit Asset

Employee benefit assets represents net retirement benefit assets of Bank of Ceylon Pension Fund – 2014. For more details, refer Note 44.

| As at 31 December                    | Bank              |                   | Group             |                   |
|--------------------------------------|-------------------|-------------------|-------------------|-------------------|
|                                      | 2016              | 2015              | 2016              | 2015              |
|                                      | LKR '000          | LKR '000          | LKR '000          | LKR '000          |
| Consumable stock in hand             | 735,746           | 548,345           | 812,406           | 661,418           |
| Prepaid staff cost                   | 9,689,695         | 7,996,413         | 9,735,168         | 8,008,522         |
| Cheques in transit – Local           | 1,361,061         | 1,178,599         | 1,361,061         | 1,178,599         |
| Cheques in transit – Foreign         | 12,514            | 25,914            | 12,514            | 25,914            |
| Tax recoverable                      | 6,048             | –                 | 27,482            | 24,951            |
| Gold bullion and coins in hand       | 65,576            | 29,855            | 65,576            | 29,855            |
| Gold stock in hand                   | 13,410,931        | 16,985,087        | 13,410,931        | 16,985,087        |
| Net employee benefit asset [Note 44] | 1,789,844         | –                 | 1,789,844         | –                 |
| Other                                | 19,722,974        | 21,280,022        | 20,506,719        | 21,763,240        |
| <b>Total other assets</b>            | <b>46,794,389</b> | <b>48,044,235</b> | <b>47,721,701</b> | <b>48,677,586</b> |


### 37. Due to Banks

**Accounting Policy** 

Due to banks represents credit balances in Nostro Accounts and short-term borrowings from banks. These are initially recognised at fair value. Subsequent to initial recognition, these are measured at their amortised cost using the Effective Interest Rate (EIR) method. Amortised cost is calculated by taking into account any transaction costs that are an integral part of the EIR. The EIR amortisation is included in 'Interest expenses' (Note 8.2) in the Statement of Profit or Loss.

| As at 31 December         | Bank             |                  | Group            |                  |
|---------------------------|------------------|------------------|------------------|------------------|
|                           | 2016<br>LKR '000 | 2015<br>LKR '000 | 2016<br>LKR '000 | 2015<br>LKR '000 |
| Deposits from other banks | 1,234,969        | 1,243,180        | 1,234,969        | 1,243,180        |
| Bank overdrafts           | 807,353          | 1,387,228        | 818,976          | 1,389,647        |
| <b>Total due to banks</b> | <b>2,042,322</b> | <b>2,630,408</b> | <b>2,053,945</b> | <b>2,632,827</b> |

### 38. Derivative Financial Instruments

**Accounting Policy** 

Derivative financial instruments include contracts which are entered by the Bank that are not designated as hedging instruments in hedge relationships as per the Sri Lanka Accounting Standard – LKAS 39 on 'Financial Instruments: Recognition and Measurement'.

Derivatives are recorded at fair value and carried as liabilities when their fair value is negative. Changes in the fair value of derivatives are included in 'Net gains/(losses) from trading' (Note 10) in Statement of Profit or Loss.

| As at 31 December                             | Bank             |                  | Group            |                  |
|-----------------------------------------------|------------------|------------------|------------------|------------------|
|                                               | 2016<br>LKR '000 | 2015<br>LKR '000 | 2016<br>LKR '000 | 2015<br>LKR '000 |
| <b>Foreign Currency Derivatives</b>           |                  |                  |                  |                  |
| Forward exchange contracts                    | 8,210            | 11,406           | 8,210            | 11,406           |
| Currency SWAPs                                | 163,453          | 144,896          | 163,453          | 144,896          |
| <b>Total derivative financial instruments</b> | <b>171,663</b>   | <b>156,302</b>   | <b>171,663</b>   | <b>156,302</b>   |

## 39. Due to Customers

### Accounting Policy →

Due to customers include non-interest-bearing deposits, savings deposits, term deposits, deposits payable at call and certificate of deposits, which are initially recognised at fair value. Subsequent to initial recognition, deposits are measured at their amortised cost using the Effective Interest Rate (EIR) method, except where the Group designates liabilities at fair value through profit or loss. The EIR amortisation is included in 'Interest expenses' (Note 8.2) in the Statement of Profit or Loss.

### 39.1 By Product

| As at 31 December                      | Bank                 |                      | Group                |                      |
|----------------------------------------|----------------------|----------------------|----------------------|----------------------|
|                                        | 2016<br>LKR '000     | 2015<br>LKR '000     | 2016<br>LKR '000     | 2015<br>LKR '000     |
| <b>Local Currency Deposits</b>         |                      |                      |                      |                      |
| Demand deposits                        | 110,289,302          | 108,093,327          | 110,085,641          | 107,843,116          |
| Savings deposits                       | 321,546,458          | 298,982,460          | 322,247,426          | 299,654,895          |
| Time deposits                          | 509,930,350          | 391,998,852          | 525,465,049          | 406,049,403          |
| Certificates of deposit                | 4,315                | 4,315                | 8,918                | 8,918                |
| Other deposits                         | 3,172,486            | 3,408,403            | 3,172,486            | 3,408,403            |
| <b>Total local currency deposits</b>   | <b>944,942,911</b>   | <b>802,487,357</b>   | <b>960,979,520</b>   | <b>816,964,735</b>   |
| <b>Foreign Currency Deposits</b>       |                      |                      |                      |                      |
| Demand deposits                        | 33,967,358           | 18,988,483           | 34,548,616           | 19,564,489           |
| Savings deposits                       | 77,935,473           | 77,085,118           | 78,259,071           | 77,558,608           |
| Time deposits                          | 198,582,914          | 183,214,749          | 198,683,246          | 183,301,459          |
| Other deposits                         | 1,160,834            | 561,411              | 1,160,834            | 561,411              |
| <b>Total foreign currency deposits</b> | <b>311,646,579</b>   | <b>279,849,761</b>   | <b>312,651,767</b>   | <b>280,985,967</b>   |
| <b>Total deposits</b>                  | <b>1,256,589,490</b> | <b>1,082,337,118</b> | <b>1,273,631,287</b> | <b>1,097,950,702</b> |

### 39.2 By Currency

| As at 31 December     | Bank                 |                      | Group                |                      |
|-----------------------|----------------------|----------------------|----------------------|----------------------|
|                       | 2016<br>LKR '000     | 2015<br>LKR '000     | 2016<br>LKR '000     | 2015<br>LKR '000     |
| Sri Lankan Rupee      | 944,942,911          | 802,487,357          | 960,979,520          | 816,964,735          |
| United States Dollar  | 232,593,675          | 204,676,037          | 232,607,478          | 204,706,151          |
| Great Britain Pound   | 27,759,556           | 31,308,159           | 28,744,868           | 32,395,029           |
| Maldivian Rufiyaa     | 29,039,013           | 23,303,374           | 29,039,013           | 23,303,374           |
| Seychellois Rupee     | 1,501,364            | 877,410              | 1,501,364            | 877,410              |
| Euro                  | 7,522,874            | 8,398,118            | 7,528,947            | 8,417,340            |
| Australian Dollar     | 7,658,880            | 7,317,051            | 7,658,880            | 7,317,051            |
| Indian Rupee          | 4,397,059            | 2,762,619            | 4,397,059            | 2,762,619            |
| Other                 | 1,174,158            | 1,206,993            | 1,174,158            | 1,206,993            |
| <b>Total deposits</b> | <b>1,256,589,490</b> | <b>1,082,337,118</b> | <b>1,273,631,287</b> | <b>1,097,950,702</b> |

Note: The maturity analysis of deposits is given in Note 54.

## 40. Other Borrowings

### Accounting Policy →

Other borrowings represent Senior notes, Term borrowings from banks in abroad and Sri Lanka, Term borrowings from other financial institutions in Sri Lanka and refinance borrowings which are initially recognised at fair value. Subsequent to initial recognition, these borrowings are measured at their amortised cost, using the Effective Interest Rate (EIR) method. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR. The EIR amortisation is included in 'Interest expenses' (Note 8.2) in the Statement of Profit or Loss.

| As at 31 December                                                        | Bank               |                    | Group              |                    |
|--------------------------------------------------------------------------|--------------------|--------------------|--------------------|--------------------|
|                                                                          | 2016<br>LKR '000   | 2015<br>LKR '000   | 2016<br>LKR '000   | 2015<br>LKR '000   |
| Senior notes [Note 40.1]                                                 | 151,331,226        | 145,332,658        | 151,331,226        | 145,332,658        |
| Term borrowings from banks abroad                                        | 41,523,039         | 89,472,659         | 48,290,569         | 92,799,663         |
| Term borrowings from banks and other financial institutions in Sri Lanka | –                  | 12,295,090         | 2,247,918          | 14,674,063         |
| Refinance borrowings                                                     | 2,615,588          | 2,988,695          | 2,615,588          | 2,988,695          |
| <b>Total other borrowings</b>                                            | <b>195,469,853</b> | <b>250,089,102</b> | <b>204,485,301</b> | <b>255,795,079</b> |

### 40.1 Senior Notes

Senior notes represent two senior unsecured notes, each worth of USD 500 million which are listed in Singapore Stock Exchange. Interest paid semi-annually, based on fixed coupon rate.

| As at 31 December | Issued Date | Maturity Date | Coupon Rate<br>% | Bank               |                    | Group              |                    |
|-------------------|-------------|---------------|------------------|--------------------|--------------------|--------------------|--------------------|
|                   |             |               |                  | 2016<br>LKR '000   | 2015<br>LKR '000   | 2016<br>LKR '000   | 2015<br>LKR '000   |
| Senior note 1     | 03.05.2012  | 03.05.2017    | 6.8750           | 75,686,428         | 72,655,246         | 75,686,428         | 72,655,246         |
| Senior note 2     | 16.04.2013  | 16.04.2018    | 5.3250           | 75,644,798         | 72,677,412         | 75,644,798         | 72,677,412         |
|                   |             |               |                  | <b>151,331,226</b> | <b>145,332,658</b> | <b>151,331,226</b> | <b>145,332,658</b> |

## 41. Debt Securities Issued

### Accounting Policy →

Debt securities issued represent funds borrowed for long-term funding purposes where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. Debt securities are initially recognised at fair value. Subsequent to initial recognition these are measured at their amortised cost using the Effective Interest Rate (EIR) method. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR. The EIR amortisation is included in 'Interest expenses' (Note 8.2) in the Statement of Profit or Loss.

### 41.1 Senior Debentures

| As at 31 December                                                    | Bank             |                  | Group            |                  |
|----------------------------------------------------------------------|------------------|------------------|------------------|------------------|
|                                                                      | 2016<br>LKR '000 | 2015<br>LKR '000 | 2016<br>LKR '000 | 2015<br>LKR '000 |
| <b>Listed Debentures</b>                                             |                  |                  |                  |                  |
| Unsecured, redeemable debentures of LKR 100 each                     | –                | –                | 4,933,275        | 5,276,689        |
| <b>Unlisted debentures</b>                                           |                  |                  |                  |                  |
| Unsecured, redeemable debentures of LKR 100 each (private placement) | 3,427,058        | 3,427,058        | 3,427,058        | 3,427,058        |
| <b>Total debt securities issued</b>                                  | <b>3,427,058</b> | <b>3,427,058</b> | <b>8,360,333</b> | <b>8,703,747</b> |



## 41.2 Movement in Senior Debentures

|                           | Bank             |                  | Group            |                  |
|---------------------------|------------------|------------------|------------------|------------------|
|                           | 2016<br>LKR '000 | 2015<br>LKR '000 | 2016<br>LKR '000 | 2015<br>LKR '000 |
| Balance as at 1 January   | 3,427,058        | 20,762,198       | 8,703,747        | 26,218,337       |
| Redemptions               | –                | (17,335,140)     | (336,238)        | (17,619,209)     |
| Amortisation adjustment   | –                | –                | (7,176)          | 104,619          |
| Balance as at 31 December | 3,427,058        | 3,427,058        | 8,360,333        | 8,703,747        |

## 41.3 Senior Debentures

|                                     | Notes | Interest Payable<br>Frequency | Issue Date | Maturity Date | Coupon Rate |           | Amount as at 31 December |                  |                  |                  |
|-------------------------------------|-------|-------------------------------|------------|---------------|-------------|-----------|--------------------------|------------------|------------------|------------------|
|                                     |       |                               |            |               | 2016<br>%   | 2015<br>% | Bank                     |                  | Group            |                  |
|                                     |       |                               |            |               |             |           | 2016<br>LKR '000         | 2015<br>LKR '000 | 2016<br>LKR '000 | 2015<br>LKR '000 |
| <b>Fixed Interest Rate</b>          |       |                               |            |               |             |           |                          |                  |                  |                  |
| Unsecured, redeemable debentures    |       | Semi annually                 | 18.06.2012 | 17.06.2017    | 14.75       | 14.75     | 1,286,404                | 1,286,404        | 1,286,404        | 1,286,404        |
| Unsecured, redeemable debentures    |       | Annually                      | 07.12.2012 | 06.12.2017    | 15.50       | 15.50     | 2,140,654                | 2,140,654        | 2,140,654        | 2,140,654        |
| Unsecured, redeemable debentures    | (a)   | Annually                      | 28.03.2013 | 27.03.2018    | 17.50       | 17.50     | –                        | –                | 735,088          | 734,412          |
| Unsecured, redeemable debentures    | (a)   | Annually                      | 28.03.2013 | 27.03.2017    | 17.25       | 17.25     | –                        | –                | 569,943          | 569,250          |
| Unsecured, redeemable debentures    | (a)   | Quarterly                     | 28.03.2013 | 27.03.2018    | 16.70       | 16.70     | –                        | –                | 655,752          | 655,818          |
| Unsecured, redeemable debentures    | (a)   | Monthly                       | 28.03.2013 | 27.03.2018    | 16.50       | 16.50     | –                        | –                | 168,786          | 168,718          |
| Unsecured, redeemable debentures    | (a)   | Annually                      | 17.12.2013 | 16.12.2017    | 14.25       | 14.25     | –                        | –                | 771,044          | 770,901          |
| Unsecured, redeemable debentures    | (a)   | Annually                      | 17.12.2013 | 16.12.2016    | 13.50       | 13.50     | –                        | –                | –                | 336,238          |
| Unsecured, redeemable debentures    | (a)   | Quarterly                     | 17.12.2013 | 16.12.2017    | 13.50       | 13.50     | –                        | –                | 18,137           | 18,137           |
| Unsecured, redeemable debentures    | (a)   | Monthly                       | 17.12.2013 | 16.12.2017    | 13.25       | 13.25     | –                        | –                | 11,599           | 11,599           |
| Unsecured, redeemable debentures    | (a)   | Annually                      | 13.11.2014 | 12.11.2019    | 9.00        | 9.00      | –                        | –                | 868,031          | 876,589          |
| Unsecured, redeemable debentures    | (a)   | Annually                      | 13.11.2014 | 12.11.2019    | 8.75        | 8.75      | –                        | –                | 1,134,895        | 1,135,027        |
| <b>Total debt securities issued</b> |       |                               |            |               |             |           | <b>3,427,058</b>         | <b>3,427,058</b> | <b>8,360,333</b> | <b>8,703,747</b> |

Notes: (a) Debentures that are listed in Colombo Stock Exchange.

## 42. Insurance Contract Liabilities

Accounting Policy →

### Life Insurance Contract Liabilities

Life insurance liabilities are recognised when contracts are entered into and premiums are received. These liabilities are measured by using the net premium method. The liability is determined as the sum of the discounted value of the expected future benefits, claims handling and policy administration expenses, policyholder options and guarantees and investment income from assets backing such liabilities, which are directly related to the contract, less the discounted value of the expected theoretical premiums that would be required to meet the future cash outflows based on the valuation assumptions used.

The liability is either based on current assumptions or calculated using the assumptions established at the time the contract was issued, in which case a margin for risk and adverse deviation is generally included. A separate reserve for longevity may be established and included in the measurement of the liability. Furthermore, the liability for life insurance contracts comprises the provision for unearned premiums and unexpired risks, as well as for claims outstanding, which includes an estimate of the incurred claims that have not yet been reported to the Group. Adjustments to the liabilities at each Reporting date are recorded in the Statement of Profit or Loss. Profits originated from margins of adverse deviations on run-off contracts are recognised in the Statement of Profit or Loss over the life of the contract, whereas losses are fully recognised in the Statement of Profit or Loss during the first year of run off. The liability is derecognised when the contract expires, is discharged or is cancelled.

At each Reporting date, an assessment is made of whether the recognised life insurance liabilities are adequate, net of related Present Value Interest Factor (PVIF) and Deferred Acquisition Cost (DAC), by using an existing liability adequacy test. The liability value is adjusted to the extent that it is insufficient to meet future benefits and expenses. In performing the adequacy test, current best estimates of future contractual cash flows, including related cash flows such as claims handling and policy administration expenses, policyholder options and guarantees, as well as investment income from assets backing such liabilities, are used. A number of valuation methods are applied, including discounted cash flows, option pricing models and stochastic modelling. To the extent that the test involves discounting of cash flows, the interest rate applied may be based on management's prudent expectation of current market interest rates. Any inadequacy is recorded in the Statement of Profit or Loss, initially by impairing PVIF and DAC and subsequently, by establishing a technical reserve for the remaining loss. In subsequent periods, the liability for a block of business that has failed the adequacy test is based on the assumptions that are established at the time of the loss recognition. The assumptions do not include a margin for adverse deviation.

## Non-Life Insurance Contract Liabilities

Non-life insurance contract liabilities are recognised when contracts are entered into and premiums are charged. These liabilities are known as the outstanding claims provision, which are based on the estimated ultimate cost of all claims incurred but not settled at the Reporting date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore the ultimate cost of these cannot be known with certainty at the Reporting date. The liability is calculated at the Reporting date using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation. The liability is not discounted for the time value of money. No provision for equalisation or catastrophe reserves is recognised. The liabilities are derecognised when the contract expires, is discharged or is cancelled.

The liabilities are derecognised when the contract expires, is discharged or is cancelled.

This calculation uses current estimates of future contractual cash flows after taking account of the investment return expected to arise on assets relating to the relevant non-life insurance technical provisions. If these estimates show that the carrying amount of the unearned premiums (less related deferred acquisition costs) is inadequate, the deficiency is recognised in the Statement of Profit or Loss by setting up a provision for liability adequacy.

The provision for unearned premiums represents premiums received for risks that have not yet expired. Generally the reserve is released over the term of the contract and is recognised as premium income. At each Reporting date the Group reviews its unexpired risk and a liability adequacy test is performed to determine whether there is any overall excess of expected claims and deferred acquisition costs over unearned premiums. This calculation uses current estimates of future contractual cash flows after taking account of the investment return expected to arise on assets relating to the relevant non-life insurance technical provisions. If these estimates show that the carrying amount of the unearned premiums (less related deferred acquisition costs) is inadequate, the deficiency is recognised in the Statement of Profit or Loss by setting up a provision for liability adequacy.

### 42.1 Insurance Provision – Life

|                                  | Group            |                  |
|----------------------------------|------------------|------------------|
|                                  | 2016<br>LKR '000 | 2015<br>LKR '000 |
| Balance as at 1 January          | 444,257          | 349,901          |
| Increase in life fund            | 70,357           | 75,330           |
| Fair value reserve               | (16,803)         | (1,152)          |
| Unclaimed benefits               | 16,864           | 20,178           |
| <b>Balance as at 31 December</b> | <b>514,675</b>   | <b>444,257</b>   |

## 42.2 Insurance Provision – Non-life

| As at 31 December                                        | Group            |                  |
|----------------------------------------------------------|------------------|------------------|
|                                                          | 2016<br>LKR '000 | 2015<br>LKR '000 |
| Provision for reported claims by policyholders           | 407,014          | 115,520          |
| Provision for claims on Incurred But Not Reported (IBNR) | 50,002           | 43,354           |
| <b>Outstanding claims provision</b>                      | <b>457,016</b>   | <b>158,874</b>   |
| Provision for unearned premiums                          | 324,018          | 353,459          |
| Deferred acquisition                                     | (5,659)          | 5,326            |
| <b>Total insurance provision – Non-life</b>              | <b>775,375</b>   | <b>517,659</b>   |

## 43. Other Liabilities

| As at 31 December                          | Bank              |                   | Group             |                   |
|--------------------------------------------|-------------------|-------------------|-------------------|-------------------|
|                                            | 2016<br>LKR '000  | 2015<br>LKR '000  | 2016<br>LKR '000  | 2015<br>LKR '000  |
| Cheques sent on clearing                   | 886,701           | 446,325           | 886,701           | 446,325           |
| Lease creditors                            |                   |                   |                   |                   |
| Within 12 months                           | –                 | –                 | 5,057             | 3,841             |
| Later than 12 months                       | –                 | –                 | 10,686            | 14,898            |
| Dividend payable                           | –                 | 1,000,000         | 58,253            | 1,013,004         |
| Net employee benefit liabilities [Note 44] | 5,876,927         | 2,546,651         | 6,161,273         | 2,856,030         |
| Other                                      | 12,468,205        | 17,592,668        | 14,534,543        | 18,853,834        |
| <b>Total other liabilities</b>             | <b>19,231,833</b> | <b>21,585,644</b> | <b>21,656,513</b> | <b>23,187,932</b> |

## 44. Employee Retirement Benefit Plans

### Accounting Policy →

The Bank has the pension schemes established under an Industrial Award which are solely funded by the Bank. There is also a Widows'/Widowers' and Orphans' Pension Scheme established by the members who joined the Bank before 1 January 1996.

The assets of these three plans are held independently of the Bank's assets and administered by Boards of Trustees/Managers, representing the management and the employees, as provided in the Trust Deed/Rules of the respective funds.

These funds are subject to annual audits independent to the audit of the Bank, by a firm/s of Chartered Accountants appointed by the members and actuarial valuations are carried out at least once in three years, as per the rules governing these funds.

| As at 31 December                                                      | Bank             |                  | Group            |                  |
|------------------------------------------------------------------------|------------------|------------------|------------------|------------------|
|                                                                        | 2016<br>LKR '000 | 2015<br>LKR '000 | 2016<br>LKR '000 | 2015<br>LKR '000 |
| <b>Net Employee Benefit Liabilities</b>                                |                  |                  |                  |                  |
| Bank of Ceylon Pension Trust Fund [Note 44.1]                          | 5,409,473        | 2,427,336        | 5,409,473        | 2,427,336        |
| Provision for terminal gratuity [Note 44.3]                            | 195,663          | 62,700           | 480,009          | 372,079          |
| Provision of encashment of medical leave                               | 271,791          | 56,615           | 271,791          | 56,615           |
| <b>Total net employee benefit liabilities</b>                          | <b>5,876,927</b> | <b>2,546,651</b> | <b>6,161,273</b> | <b>2,856,030</b> |
| <b>Net Employee Benefit Assets</b>                                     |                  |                  |                  |                  |
| Bank of Ceylon Widows'/Widowers' and Orphans' Pension Fund [Note 44.2] | –                | –                | –                | –                |
| Bank of Ceylon Pension Fund – 2014 [Note 44.4]                         | 1,789,844        | –                | 1,789,844        | –                |
| <b>Total net employee benefit assets</b>                               | <b>1,789,844</b> | <b>–</b>         | <b>1,789,844</b> | <b>–</b>         |

## 44.1 Bank of Ceylon Pension Trust Fund

The 'Bank of Ceylon Pension Trust Fund' is a funded, non-contributory, defined retirement benefit plan, operated for the payment of pensions until death of the permanent employees who have completed a minimum of ten years of continuous service with the Bank, at their retirement on reaching the retirement age on or after 55 years or on medical grounds, before reaching retirement age. The pension is computed as a percentage of the last drawn salary excluding certain allowances.

Contributions to the Pension Trust Fund are made monthly, based on the advice of a qualified actuary, currently at 56.8% of gross salary. The Fund is valued by a qualified actuary annually. This fund has been approved by the Government and administrated independently. The subsidiaries and associate companies of the Group do not have pension funds.

An actuarial valuation of the Pension Trust Fund as at 31 December 2016 was carried out by Messrs Actuarial & Management Consultants (Pvt) Limited.

The valuation has been done using the 'Projected Unit Credit Method', which is recommended in the Sri Lanka Accounting Standard – LKAS 19 'Employee Benefits'. The benefit is available to all permanent employees who have joined the Bank prior to 1 January 1996. The results of the actuarial valuation of the Pension Trust Fund is summarised as follows:

### 44.1.1 Net Benefit Expense (Recognised Under Personnel Expenses)

| <i>For the year ended 31 December</i> | Bank/Group       |                  |
|---------------------------------------|------------------|------------------|
|                                       | 2016<br>LKR '000 | 2015<br>LKR '000 |
| Current service cost                  | 377,255          | 584,869          |
| Net interest expenses                 | 242,733          | 187,834          |
| <b>Net benefit expense</b>            | <b>619,988</b>   | <b>772,703</b>   |

### 44.1.2 Amount Recognised in Other Comprehensive Income

| <i>For the year ended 31 December</i>                                        | Bank/Group         |                  |
|------------------------------------------------------------------------------|--------------------|------------------|
|                                                                              | 2016<br>LKR '000   | 2015<br>LKR '000 |
| Actuarial gains/(losses) on the defined benefit obligation                   | (3,006,581)        | (930,734)        |
| Actuarial gains/(losses) on plan assets                                      | (384,886)          | (53,780)         |
| <b>Net actuarial gains/(losses) recognised in other comprehensive income</b> | <b>(3,391,467)</b> | <b>(984,514)</b> |

### 44.1.3 Retirement Benefit Liability

| <i>As at 31 December</i>                | Bank/Group       |                  |
|-----------------------------------------|------------------|------------------|
|                                         | 2016<br>LKR '000 | 2015<br>LKR '000 |
| Fair value of plan assets               | 55,033,729       | 54,595,690       |
| Defined benefit obligation              | 60,443,202       | 57,023,026       |
| <b>Net retirement benefit liability</b> | <b>5,409,473</b> | <b>2,427,336</b> |

#### 44.1.4 Changes in Fair Value of Plan Assets

|                                          | Bank/Group        |                   |
|------------------------------------------|-------------------|-------------------|
|                                          | 2016<br>LKR '000  | 2015<br>LKR '000  |
| Opening fair value of plan assets        | 54,595,690        | 53,839,059        |
| Expected return                          | 5,459,570         | 5,114,711         |
| Contribution by employer                 | 1,029,318         | 1,307,076         |
| Benefits paid                            | (5,665,963)       | (5,611,376)       |
| Actuarial gains/(losses)                 | (384,886)         | (53,780)          |
| <b>Closing fair value of plan assets</b> | <b>55,033,729</b> | <b>54,595,690</b> |

#### 44.1.5 Changes in the Present Value of the Defined Benefit Obligation

|                                           | Bank/Group        |                   |
|-------------------------------------------|-------------------|-------------------|
|                                           | 2016<br>LKR '000  | 2015<br>LKR '000  |
| Opening defined benefit obligation        | 57,023,026        | 55,816,255        |
| Interest cost                             | 5,702,303         | 5,302,544         |
| Current service cost                      | 377,255           | 584,869           |
| Benefits paid                             | (5,665,963)       | (5,611,376)       |
| Losses due to change in assumptions       | (6,522,289)       | (7,707,001)       |
| Actuarial losses on obligation            | 9,528,870         | 8,637,735         |
| <b>Closing defined benefit obligation</b> | <b>60,443,202</b> | <b>57,023,026</b> |

The present value of the Defined Benefit Obligation as of the valuation date with respect to active employees and pensioners are LKR 12,073.1 million and LKR 48,370.1 million respectively.

#### 44.1.6 Plan Assets Consist of the Following

| <i>As at 31 December</i> | Bank/Group        |                   |
|--------------------------|-------------------|-------------------|
|                          | 2016<br>LKR '000  | 2015<br>LKR '000  |
| Fixed deposits           | 15,407,000        | 14,345,000        |
| Treasury bonds           | 9,486,293         | 7,076,364         |
| Debentures               | 17,883,209        | 17,570,971        |
| Investment in shares     | 4,973,588         | 5,062,755         |
| Government bonds         | 3,000,000         | 3,000,000         |
| Others                   | 4,283,639         | 7,540,600         |
| <b>Total plan assets</b> | <b>55,033,729</b> | <b>54,595,690</b> |

#### 44.1.7 Actuarial Assumptions

|                                                    | Bank/Group |           |
|----------------------------------------------------|------------|-----------|
|                                                    | 2016<br>%  | 2015<br>% |
| Future salary increment rate                       | 6.5 p.a    | 6.5 p.a   |
| Increase in future Cost of Living Allowance (COLA) | 5.5 p.a    | 5.5 p.a   |
| Increase in pension in payment (basic)             | Nil        | Nil       |
| Discount rate                                      | 11.5 p.a   | 10.0 p.a  |
| Rate of return on plan assets                      | 10.0 p.a   | 10.0 p.a  |
| Attrition rate                                     | Nil        | Nil       |

The Bank uses IALM (2006-2008) Ultimate Mortality Table issued by the Institute of Actuaries of India.

Increase/decrease in the following assumptions will change the present value of defined benefit obligation as illustrated below:

|                          | Bank/Group                |                           |
|--------------------------|---------------------------|---------------------------|
|                          | 0.5% increase<br>LKR '000 | 0.5% decrease<br>LKR '000 |
| Discount rate            | 58,315,631                | 62,718,161                |
| Salary increment         | 60,535,801                | 60,353,748                |
| Cost of Living Allowance | 61,956,913                | 59,027,151                |

Further, the remaining years of benefit payments are expected to be 8.1 years.

The following payments are expected from the Pension Trust Fund in future years.

| As at 31 December              | Bank/Group        |                   |
|--------------------------------|-------------------|-------------------|
|                                | 2016<br>LKR '000  | 2015<br>LKR '000  |
| Within the next 12 months      | 5,976,289         | 5,212,686         |
| Between 1 and 5 years          | 23,344,228        | 22,205,635        |
| Between 5 and 10 years         | 14,467,992        | 13,762,329        |
| Beyond 10 years                | 16,654,693        | 15,842,376        |
| <b>Total expected payments</b> | <b>60,443,202</b> | <b>57,023,026</b> |

#### 44.2 Bank of Ceylon Widows'/Widowers' and Orphans' Pension Fund

The Bank is liable for and guarantees the payments to the beneficiaries of the 'Bank of Ceylon Widows'/Widowers' and Orphans' Pension Fund' to which the Bank's employees monthly contribute 8% of their gross salary. The Bank's liability towards the beneficiaries of the employees arises when an employee who has contributed to the fund for five continuous years dies while in service or on the death of a pensioner where the Bank will be liable to pay Widows' and Orphans' Pension to his/her beneficiaries monthly. The pension to the beneficiaries of an employee who dies while in service is based on the last drawn salary excluding certain allowances.

An actuarial valuation of the Widows'/Widowers' and Orphans' Pension Fund as at 31 December 2016 was carried out by Messrs Actuarial & Management Consultants (Pvt) Limited. Funding would be done in consultation with the Actuary, trustees and beneficiaries.

This fund has been approved by the Government and administered independently.

The valuation has been done using the 'Projected Unit Credit Method', which is recommended in the Sri Lanka Accounting Standard – LKAS 19 'Employee Benefits'. The results of the actuarial valuation of the Widows'/Widowers' and Orphans' Pension Fund is summarised as follows:

#### **44.2.1 Net Benefit Expense (Recognised Under Personnel Expenses)**

| <i>For the year ended 31 December</i> | Bank/Group       |                  |
|---------------------------------------|------------------|------------------|
|                                       | 2016<br>LKR '000 | 2015<br>LKR '000 |
| Current service cost                  | 36,139           | –                |
| Net interest income                   | (405,562)        | (274,158)        |
| <b>Net benefit expense</b>            | <b>(369,423)</b> | <b>(274,158)</b> |

#### **44.2.2 Amount Recognised in Other Comprehensive Income**

| <i>For the year ended 31 December</i>                                        | Bank/Group       |                  |
|------------------------------------------------------------------------------|------------------|------------------|
|                                                                              | 2016<br>LKR '000 | 2015<br>LKR '000 |
| Actuarial gains/(losses) on the defined benefit obligation                   | 2,477,376        | 381,537          |
| Actuarial gains/(losses) on plan assets                                      | 44,247           | 135,126          |
| Actuarial gains/(losses) on actuarial valuation                              | 2,521,623        | 516,663          |
| Derecognition of plan asset                                                  | (2,521,623)      | (516,663)        |
| <b>Net actuarial gains/(losses) recognised in other comprehensive income</b> | <b>–</b>         | <b>–</b>         |

#### **44.2.3 Retirement Benefit Assets**

| <i>As at 31 December</i>          | Bank/Group       |                  |
|-----------------------------------|------------------|------------------|
|                                   | 2016<br>LKR '000 | 2015<br>LKR '000 |
| Fair value of plan assets         | 19,471,795       | 17,823,591       |
| Defined benefit obligation        | (11,947,782)     | (13,767,980)     |
| <b>Retirement benefit assets*</b> | <b>7,524,013</b> | <b>4,055,611</b> |

*\*The above retirement benefit asset have not been recognised in the Financial Statements.*

#### **44.2.4 Changes in Fair Value of Plan Assets**

|                                          | Bank/Group        |                   |
|------------------------------------------|-------------------|-------------------|
|                                          | 2016<br>LKR '000  | 2015<br>LKR '000  |
| Opening fair value of plan assets        | 17,823,591        | 16,362,449        |
| Expected return                          | 1,782,359         | 1,554,436         |
| Contribution paid into plan              | 121,356           | 149,500           |
| Actual employer contribution             | 456,000           | 456,000           |
| Benefits paid                            | (755,758)         | (607,371)         |
| Actuarial gains/(losses) on plan asset   | 44,247            | (91,423)          |
| <b>Closing fair value of plan assets</b> | <b>19,471,795</b> | <b>17,823,591</b> |

**44.2.5 Changes in the Present Value of the Defined Benefit Obligation**

|                                           | Bank/Group        |                   |
|-------------------------------------------|-------------------|-------------------|
|                                           | 2016<br>LKR '000  | 2015<br>LKR '000  |
| Opening defined benefit obligation        | 13,767,980        | 13,476,610        |
| Interest cost                             | 1,376,798         | 1,280,278         |
| Current service cost                      | 36,139            | –                 |
| Benefits paid                             | (755,758)         | (607,371)         |
| Actuarial (gains)/losses on obligation    | (239,511)         | 2,161,878         |
| Gain due to change in assumptions         | (2,237,866)       | (2,543,415)       |
| <b>Closing defined benefit obligation</b> | <b>11,947,782</b> | <b>13,767,980</b> |

The present value of the Defined Benefit Obligation as of the valuation date with respect to active employees, pensioners and family pensioners who are receiving benefits are LKR 1,106.8 million, LKR 3,773.8 million and LKR 7,067.3 million respectively.

**44.2.6 Plan Assets Consist of the Following**

| As at 31 December        | Bank/Group        |                   |
|--------------------------|-------------------|-------------------|
|                          | 2016<br>LKR '000  | 2015<br>LKR '000  |
| Fixed deposits           | 9,279,000         | 10,135,000        |
| Treasury bonds           | 3,729,092         | 876,622           |
| Debentures               | 5,455,511         | 5,455,510         |
| Others                   | 1,008,192         | 1,356,459         |
| <b>Total plan assets</b> | <b>19,471,795</b> | <b>17,823,591</b> |

**44.2.7 Actuarial Assumptions**

|                                                                       | Bank/Group |           |
|-----------------------------------------------------------------------|------------|-----------|
|                                                                       | 2016<br>%  | 2015<br>% |
| Future salary increment rate                                          | 6.5 p.a    | 6.5 p.a   |
| Increase in future Cost of Living Allowance (COLA)                    | 5.5 p.a    | 5.5 p.a   |
| Increase in widows'/widowers' and orphans' pension in payment (Basic) | Nil        | Nil       |
| Discounting rate                                                      | 11.5 p.a   | 10.0 p.a  |
| Rate of return on plan assets                                         | 10.0 p.a   | 10.0 p.a  |
| Attrition rate                                                        | Nil        | Nil       |

The Bank uses IALM (2006-2008) Ultimate Mortality Table issued by the Institute of Actuaries of India.

Increase/decrease in the following assumptions will have an impact on the present value of defined benefit obligation as illustrated below:

|                          | Bank/Group                |                           |
|--------------------------|---------------------------|---------------------------|
|                          | 0.5% Increase<br>LKR '000 | 0.5% Decrease<br>LKR '000 |
| Discount rate            | 11,320,120                | 12,637,567                |
| Salary increment         | 11,951,663                | 11,944,035                |
| Cost of Living Allowance | 12,538,691                | 10,482,754                |

Further, the remaining years of benefit payments are expected to be 12.2 years.



The following payments are expected from the fund in future years.

| As at 31 December              | Bank/Group        |                   |
|--------------------------------|-------------------|-------------------|
|                                | 2016<br>LKR '000  | 2015<br>LKR '000  |
| Within the next 12 months      | 721,485           | 831,400           |
| Between 1 and 5 years          | 3,178,975         | 3,663,279         |
| Between 6 and 10 years         | 2,540,208         | 2,927,199         |
| Beyond 10 years                | 5,507,114         | 6,346,102         |
| <b>Total expected payments</b> | <b>11,947,782</b> | <b>13,767,980</b> |

### 44.3 Provision for Terminal 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 has not completed ten years of service as they are not in pensionable service of the Bank. Provision has not been made in the Financial Statements for retirement gratuity for the employees who are eligible for the retirement benefits under the pension schemes in force. However, employees whose services are terminated after five years other than by retirement are eligible to receive a terminal gratuity under the Payment of Gratuity Act No. 12 of 1983, at the rate of one half of the basic or consolidated wage or salary, cost of living and all other allowances applicable to the last month of the financial year, for each year of continuous service.

In terms of LKAS 19 – Employee Benefits, the Bank and its subsidiaries have calculated the post-employment benefit obligations, based on the actuarial valuation method recommended in the standard. The gratuity liabilities are not externally funded.

An actuarial valuation of the Gratuity Fund as at 31 December 2016 was carried out by Messrs Actuarial & Management Consultants (Pvt) Limited.

The valuation has been done using the 'Projected Unit Credit Method', which is recommended in the Sri Lanka Accounting Standard – LKAS 19 'Employee Benefits'.

|                                             | Bank             |                  | Group            |                  |
|---------------------------------------------|------------------|------------------|------------------|------------------|
|                                             | 2016<br>LKR '000 | 2015<br>LKR '000 | 2016<br>LKR '000 | 2015<br>LKR '000 |
| Balance as at 1 January                     | 62,700           | 18,426           | 372,079          | 322,908          |
| Provision charge/(reversal) during the year | 23,263           | 26,362           | 77,425           | 86,340           |
| Actuarial (gain)/losses                     | 114,419          | 20,612           | 73,076           | (16,606)         |
| Payment made during the year                | (4,719)          | (2,700)          | (46,134)         | (20,241)         |
| Adjustment/transfers                        | –                | –                | 3,563            | (322)            |
| <b>Balance as at 31 December</b>            | <b>195,663</b>   | <b>62,700</b>    | <b>480,009</b>   | <b>372,079</b>   |

The principal actuarial assumptions used in the valuation were as follows:

|                                                    | Bank/Group |           |
|----------------------------------------------------|------------|-----------|
|                                                    | 2016<br>%  | 2015<br>% |
| Future salary increment rate                       | 6.5 p.a    | 6.5 p.a   |
| Increase in future Cost of Living Allowance (COLA) | 5.5 p.a    | 5.5 p.a   |
| Discount rate                                      | 12.0 p.a   | 10.0 p.a  |

The Bank uses IALM (2006-2008) Ultimate Mortality Table issued by the Institute of Actuaries of India. Further, the remaining year of benefit payments are expected to be 8.2 years.

Increase/decrease in the following assumptions will change the present value of defined benefit obligation as illustrated below:

|                  | Bank                      |                           | Group                     |                           |
|------------------|---------------------------|---------------------------|---------------------------|---------------------------|
|                  | 0.5% Increase<br>LKR '000 | 0.5% Decrease<br>LKR '000 | 0.5% Increase<br>LKR '000 | 0.5% Decrease<br>LKR '000 |
| Discount rate    | 188,724                   | 203,141                   | 462,986                   | 498,354                   |
| Salary increment | 201,058                   | 190,961                   | 493,244                   | 468,474                   |

#### 44.4 Bank of Ceylon Pension Fund – 2014

Under the directions of the Ministry of Finance and Planning, this pension scheme was approved by the Board of Directors of the Bank with effect from 16 December 2014 for the employees recruited to the Bank on or after 1 January 1996. Minimum period of 120 months uninterrupted active service in the Bank at the time of retirement is required to be eligible for any retirement benefit under this pension scheme. Further, the beneficiaries under this pension scheme will not be entitled for rights and privileges under the current service gratuity scheme of the Bank except death gratuity payment. Contribution to this pension scheme is made monthly, based on the advice of a qualified Actuary, currently at 12% of gross salary. The liability under this pension scheme has been valued by a qualified Actuary at the year-end.

An actuarial valuation of this fund as at 31 December 2016 was carried out by Messrs Actuarial & Management Consultants (Pvt) Limited.

The valuation has been done using the 'Projected Unit Credit Method', which is recommended in the Sri Lanka Accounting Standard – LKAS 19 'Employee Benefits'. The results of the actuarial valuation of this Pension Fund is summarised as follows:

##### 44.4.1 Net Benefit Expense (Recognised Under Personnel Expenses)

| For the year ended 31 December | Bank/Group       |                  |
|--------------------------------|------------------|------------------|
|                                | 2016<br>LKR '000 | 2015<br>LKR '000 |
| Current service cost           | 269,350          | –                |
| Net interest expenses          | 430,439          | –                |
| <b>Net benefit expense</b>     | <b>699,789</b>   | <b>–</b>         |

##### 44.4.2 Amount Recognised in Other Comprehensive Income

| For the year ended 31 December                                               | Bank/Group       |                  |
|------------------------------------------------------------------------------|------------------|------------------|
|                                                                              | 2016<br>LKR '000 | 2015<br>LKR '000 |
| Actuarial gains/(losses) on the defined benefit obligation                   | 1,716,311        | –                |
| Actuarial gains/(losses) on plan assets                                      | 167,671          | –                |
| <b>Net actuarial gains/(losses) recognised in other comprehensive income</b> | <b>1,883,982</b> | <b>–</b>         |

##### 44.4.3 Retirement Benefit Assets

| As at 31 December                    | Bank/Group       |                  |
|--------------------------------------|------------------|------------------|
|                                      | 2016<br>LKR '000 | 2015<br>LKR '000 |
| Fair value of plan assets            | 4,203,634        | –                |
| Defined benefit obligation           | (2,413,790)      | –                |
| <b>Net retirement benefit assets</b> | <b>1,789,844</b> | <b>–</b>         |

#### **44.4.4 Changes in Fair Value of Plan Assets**

|                                        | Bank/Group       |                  |
|----------------------------------------|------------------|------------------|
|                                        | 2016<br>LKR '000 | 2015<br>LKR '000 |
| Opening fair value of plan assets      | -                | -                |
| Expected return                        | -                | -                |
| Actual employer contribution           | 4,037,415        | -                |
| Benefits paid                          | (1,452)          | -                |
| Actuarial gains/(losses) on plan asset | 167,671          | -                |
| Closing fair value of plan assets      | 4,203,634        | -                |

#### **44.4.5 Changes in the Present Value of the Defined Benefit Obligation**

|                                        | Bank/Group       |                  |
|----------------------------------------|------------------|------------------|
|                                        | 2016<br>LKR '000 | 2015<br>LKR '000 |
| Opening defined benefit obligation     | 3,431,764        | -                |
| Interest cost                          | 430,439          | -                |
| Current service cost                   | 269,350          | -                |
| Benefits paid                          | (1,452)          | -                |
| Actuarial (gains)/losses on obligation | (783,622)        | -                |
| Gain due to change in assumptions      | (932,689)        | -                |
| Closing defined benefit obligation     | 2,413,790        | -                |

#### **44.4.6 Plan Assets Consist of the Following**

| <i>As at 31 December</i> | Bank/Group       |                  |
|--------------------------|------------------|------------------|
|                          | 2016<br>LKR '000 | 2015<br>LKR '000 |
| Fixed deposits           | 2,770,000        | -                |
| Debentures               | 1,386,100        | -                |
| Others                   | 47,534           | -                |
| <b>Total plan assets</b> | <b>4,203,634</b> | <b>-</b>         |

#### **44.4.7 Actuarial Assumptions**

|                                                    | Bank/Group |           |
|----------------------------------------------------|------------|-----------|
|                                                    | 2016<br>%  | 2015<br>% |
| Future salary increment rate                       | 6.5 p.a    | -         |
| Increase in future Cost of Living Allowance (COLA) | 5.5 p.a    | -         |
| Increase in pension in payment (Basic)             | Nil        | -         |
| Discounting rate                                   | 12.0 p.a   | -         |
| Rate of return on plan assets                      | 10.0 p.a   | -         |
| Attrition rate                                     | Nil        | -         |

The Bank uses IALM (2006-08) Ultimate Mortality Table issued by the Institute of Actuaries of India.

Increase/decrease in the following assumptions will have an impact on the present value of defined benefit obligation as illustrated below:

|                          | Bank/Group                |                           |
|--------------------------|---------------------------|---------------------------|
|                          | 0.5% Increase<br>LKR '000 | 0.5% Decrease<br>LKR '000 |
| Discount rate            | 2,133,340                 | 2,739,725                 |
| Salary increment         | 2,562,478                 | 2,291,627                 |
| Cost of living allowance | 2,610,518                 | 2,239,733                 |

Further, the remaining years of benefit payments are expected to be 28 years.

The following payments are expected from the Pension Fund in future years.

| As at 31 December              | Bank/Group       |                  |
|--------------------------------|------------------|------------------|
|                                | 2016<br>LKR '000 | 2015<br>LKR '000 |
| Within the next 12 months      | 953              | –                |
| Between 1 and 5 years          | 31,520           | –                |
| Between 6 and 10 years         | 110,870          | –                |
| Beyond 10 years                | 2,270,447        | –                |
| <b>Total expected payments</b> | <b>2,413,790</b> | <b>–</b>         |

## 45. Subordinated Term Debts

### Accounting Policy →

Subordinated term debts include funds borrowed for long-term funding purposes which are subordinated to other claims. These are initially recognised at fair value. Subsequent to initial recognition subordinated term debts are measured at their amortised cost, using the Effective Interest Rate (EIR) method. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR. The EIR amortisation is included in 'Interest expenses' (Note 8.2) in the Statement of Profit or Loss.

| As at 31 December                                                | Bank              |                   | Group             |                   |
|------------------------------------------------------------------|-------------------|-------------------|-------------------|-------------------|
|                                                                  | 2016<br>LKR '000  | 2015<br>LKR '000  | 2016<br>LKR '000  | 2015<br>LKR '000  |
| Unsecured, subordinated, redeemable debentures of LKR 100/- each | 38,645,546        | 35,627,450        | 38,295,318        | 35,290,007        |
| <b>Total subordinated term debts</b>                             | <b>38,645,546</b> | <b>35,627,450</b> | <b>38,295,318</b> | <b>35,290,007</b> |

All subordinated debentures are listed in Colombo Stock Exchange.

### 45.1 The movement in Subordinated Term Debts

|                                  | Bank              |                   | Group             |                   |
|----------------------------------|-------------------|-------------------|-------------------|-------------------|
|                                  | 2016<br>LKR '000  | 2015<br>LKR '000  | 2016<br>LKR '000  | 2015<br>LKR '000  |
| Balance as at 1 January          | 35,627,450        | 32,519,715        | 35,290,007        | 32,177,810        |
| Issued during the year           | 8,000,000         | 8,000,000         | 7,990,000         | 8,000,000         |
| Redemptions                      | (5,032,015)       | (5,063,369)       | (5,032,015)       | (5,058,085)       |
| Amortisation adjustment          | 50,111            | 171,104           | 47,326            | 170,282           |
| <b>Balance as at 31 December</b> | <b>38,645,546</b> | <b>35,627,450</b> | <b>38,295,318</b> | <b>35,290,007</b> |

## 45.2 Types of Debentures

|                                                                                                 | Notes | Interest Payable Frequency | Issue Date | Maturity Date | Coupon Rate |        | Amount as at 31 December |                   |                   |                   |
|-------------------------------------------------------------------------------------------------|-------|----------------------------|------------|---------------|-------------|--------|--------------------------|-------------------|-------------------|-------------------|
|                                                                                                 |       |                            |            |               | 2016 %      | 2015 % | Bank                     |                   | Group             |                   |
|                                                                                                 |       |                            |            |               |             |        | 2016 LKR '000            | 2015 LKR '000     | 2016 LKR '000     | 2015 LKR '000     |
| <b>Fixed Interest Rate</b>                                                                      |       |                            |            |               |             |        |                          |                   |                   |                   |
| Unsecured, subordinated, redeemable debentures                                                  |       | Annually                   | 08.12.2011 | 07.12.2016    | -           | 11.00  | -                        | 3,926,514         | -                 | 3,926,514         |
| Unsecured, subordinated, redeemable debentures                                                  |       | Semi-annually              | 08.12.2011 | 07.12.2016    | -           | 10.50  | -                        | 2,315             | -                 | 2,315             |
| Unsecured, subordinated, redeemable debentures                                                  |       | Annually                   | 30.11.2012 | 29.11.2017    | 16.00       | 16.00  | 6,034,052                | 6,034,052         | 6,028,987         | 6,028,990         |
| Unsecured, subordinated, redeemable debentures                                                  |       | Semi-annually              | 30.11.2012 | 29.11.2017    | 15.25       | 15.25  | 40,189                   | 40,189            | 40,189            | 40,189            |
| Unsecured, subordinated, redeemable debentures                                                  |       | Annually                   | 25.10.2013 | 24.10.2018    | 13.00       | 13.00  | 3,869,827                | 3,869,827         | 3,869,827         | 3,869,827         |
| Unsecured, subordinated, redeemable debentures                                                  |       | Semi-annually              | 25.10.2013 | 24.10.2018    | 12.60       | 12.60  | 220,369                  | 220,369           | 220,369           | 220,369           |
| Unsecured, subordinated, redeemable debentures                                                  |       | Annually                   | 25.10.2013 | 24.10.2021    | 13.25       | 13.25  | 1,226,594                | 1,226,594         | 1,226,594         | 1,226,594         |
| Unsecured, subordinated, redeemable debentures                                                  |       | Annually                   | 25.10.2013 | 24.10.2022    | 13.25       | 13.25  | 1,227,617                | 1,227,617         | 1,227,617         | 1,227,617         |
| Unsecured, subordinated, redeemable debentures                                                  |       | Annually                   | 25.10.2013 | 24.10.2023    | 13.75       | 13.75  | 1,638,142                | 1,638,142         | 1,638,142         | 1,638,142         |
| Unsecured, subordinated, redeemable debentures                                                  |       | Annually                   | 22.09.2014 | 21.09.2019    | 8.00        | 8.00   | 5,234,969                | 5,234,969         | 5,234,969         | 5,234,969         |
| Unsecured, subordinated, redeemable debentures                                                  |       | Quarterly                  | 22.09.2014 | 21.09.2019    | 7.75        | 7.75   | 216,182                  | 216,182           | 216,182           | 216,182           |
| Unsecured, subordinated, redeemable debentures                                                  |       | Annually                   | 22.09.2014 | 21.09.2022    | 8.25        | 8.25   | 1,873,793                | 1,873,793         | 1,873,793         | 1,873,793         |
| Unsecured, subordinated, redeemable debentures                                                  |       | Annually                   | 06.10.2015 | 05.10.2020    | 8.25        | 8.25   | 293,991                  | 293,991           | 293,991           | 293,991           |
| Unsecured, subordinated, redeemable debentures                                                  |       | Quarterly                  | 06.10.2015 | 05.10.2020    | 8.00        | 8.00   | 12,449                   | 12,449            | 12,449            | 12,449            |
| Unsecured, subordinated, redeemable debentures                                                  |       | Annually                   | 06.10.2015 | 05.10.2023    | 9.50        | 9.50   | 1,205,580                | 1,205,580         | 1,205,580         | 1,205,580         |
| Unsecured, subordinated, redeemable debentures                                                  |       | Annually                   | 29.12.2016 | 28.12.2021    | 13.25       | -      | 8,003,631                | -                 | 7,993,622         | -                 |
| Unsecured, subordinated, redeemable debentures                                                  |       | Annually                   | 29.12.2016 | 28.12.2024    | 12.75       | -      | 784                      | -                 | 784               | -                 |
| <b>Total fixed interest rate subordinated debentures</b>                                        |       |                            |            |               |             |        | <b>31,098,169</b>        | <b>27,022,583</b> | <b>31,083,095</b> | <b>27,017,521</b> |
| <b>Floating Interest Rate</b>                                                                   |       |                            |            |               |             |        |                          |                   |                   |                   |
| Unsecured, subordinated, redeemable debentures [6 months TB rate (gross) plus 75 basis points]  | (a)   | Semi-annually              | 08.12.2011 | 07.12.2016    | -           | 7.75   | -                        | 1,103,186         | -                 | 1,103,186         |
| Unsecured, subordinated, redeemable debentures [6 months TB rate (gross) plus 125 basis points] | (a)   | Semi-annually              | 30.11.2012 | 29.11.2017    | 12.04       | 8.36   | 424                      | 423               | 424               | 423               |
| Unsecured, subordinated, redeemable debentures [6 months TB rate (gross) plus 100 basis points] | (a)   | Semi-annually              | 25.10.2013 | 24.10.2018    | 11.51       | 8.81   | 204                      | 203               | 204               | 203               |
| Unsecured, subordinated, redeemable debentures [6 months TB rate (gross) plus 100 basis points] | (a)   | Semi-annually              | 25.10.2013 | 24.10.2021    | 11.51       | 8.81   | 1,021                    | 1,016             | 1,021             | 1,016             |
| Unsecured, subordinated, redeemable debentures [6 months TB rate (gross) plus 50 basis points]  | (a)   | Semi-annually              | 22.09.2014 | 21.09.2019    | 11.29       | 8.36   | 850,292                  | 843,802           | 515,138           | 511,421           |



|                                                                                                 | Notes | Interest Payable Frequency | Issue Date | Maturity Date | Coupon Rate |        | Amount as at 31 December |                   |                   |                   |
|-------------------------------------------------------------------------------------------------|-------|----------------------------|------------|---------------|-------------|--------|--------------------------|-------------------|-------------------|-------------------|
|                                                                                                 |       |                            |            |               | 2016 %      | 2015 % | Bank                     |                   | Group             |                   |
|                                                                                                 |       |                            |            |               |             |        | 2016 LKR '000            | 2015 LKR '000     | 2016 LKR '000     | 2015 LKR '000     |
| Unsecured, subordinated, redeemable debentures [6 months TB rate (gross) plus 50 basis points]  | (a)   | Semi-annually              | 22.09.2014 | 21.09.2022    | 11.29       | 8.36   | 31                       | 31                | 31                | 31                |
| Unsecured, subordinated, redeemable debentures [6 months TB rate (gross) plus 125 basis points] | (a)   | Semi-annually              | 06.10.2015 | 05.10.2020    | 11.68       | 9.11   | 4,598,903                | 4,572,690         | 4,598,903         | 4,572,690         |
| Unsecured, subordinated, redeemable debentures [6 months TB rate (gross) plus 125 basis points] | (a)   | Semi-annually              | 06.10.2015 | 05.10.2023    | 11.68       | 9.11   | 2,095,461                | 2,083,516         | 2,095,461         | 2,083,516         |
| Unsecured, subordinated, redeemable debentures [6 months TB rate (gross) plus 125 basis points] | (a)   | Semi-annually              | 29.12.2016 | 28.12.2021    | 11.95       | -      | 1,021                    | -                 | 1,021             | -                 |
| Unsecured, subordinated, redeemable debentures [6 months TB rate (gross) plus 125 basis points] | (a)   | Semi-annually              | 29.12.2016 | 28.12.2024    | 11.95       | -      | 20                       | -                 | 20                | -                 |
| <b>Total floating interest rate subordinated debentures</b>                                     |       |                            |            |               |             |        | 7,547,377                | 8,604,867         | 7,212,223         | 8,272,486         |
| <b>Total subordinated debentures</b>                                                            |       |                            |            |               |             |        | <b>38,645,546</b>        | <b>35,627,450</b> | <b>38,295,318</b> | <b>35,290,007</b> |

Notes: All subordinated debentures are listed in Colombo Stock Exchange. Some of these have been traded in the Colombo Stock Exchange during the year

2012/2017 – (Highest price – LKR 102.65, Lowest price – LKR 102.65, Last transaction price – LKR 102.65)

2014/2019 – (Highest price – LKR 96.87, Lowest price – LKR 96.87, Last transaction price – LKR 96.87)

2015/2020 – (Highest price – LKR 95.00, Lowest price – LKR 95.00, Last transaction price – LKR 95.00)

(a) Weighted average six months Treasury Bill interest rate before deducting 10% withholding tax at the primary quotations as announced by the Central Bank of Sri Lanka, at the preceding week of the interest resetting date.

## 46. Share Capital

### 46.1 Ordinary Shares

|                                                          | Bank          |               | Group         |               |
|----------------------------------------------------------|---------------|---------------|---------------|---------------|
|                                                          | 2016 LKR '000 | 2015 LKR '000 | 2016 LKR '000 | 2015 LKR '000 |
| <b>Authorised</b>                                        |               |               |               |               |
| 50,000,000 ordinary shares                               | 50,000,000    | 50,000,000    | 50,000,000    | 50,000,000    |
| <b>Issued and Fully Paid</b>                             |               |               |               |               |
| Balance as at 1 January                                  | 10,000,000    | 5,000,000     | 10,000,000    | 5,000,000     |
| Share issued during the year (5,000,000 ordinary shares) | -             | 5,000,000     | -             | 5,000,000     |
| Balance as at 31 December (10,000,000 ordinary shares)   | 10,000,000    | 10,000,000    | 10,000,000    | 10,000,000    |
| <b>Assigned Capital*</b>                                 |               |               |               |               |
| Capital infusion during the year                         | 5,000,000     | -             | 5,000,000     | -             |
| Balance as at 31 December                                | 15,000,000    | 10,000,000    | 15,000,000    | 10,000,000    |

\*Assigned capital

During the year, the Bank received LKR 5,000.0 million from the Government of Sri Lanka, the second and final phase of the total amount of LKR 10,000.0 million allocated to the Bank under the National Budget 2015. This amount has been reported under capital pending allotment as of 31 December 2016. The Bank is making arrangement to issue five million ordinary shares at LKR 1,000 each to the Government of Sri Lanka and thereby will transfer the assigned capital to the share capital during the year 2017.

## 46.2 Net Assets Value Per Ordinary Share

| <i>As at 31 December</i>                                          | Bank            |                 | Group            |                 |
|-------------------------------------------------------------------|-----------------|-----------------|------------------|-----------------|
|                                                                   | 2016            | 2015            | 2016             | 2015            |
| <b>Amount Used as the Numerator</b>                               |                 |                 |                  |                 |
| Total equity attributable to equity holder of the Bank (LKR '000) | 92,849,595      | 81,484,620      | 102,475,291      | 92,063,573      |
| <b>Number of Ordinary Shares Used as Denominator</b>              |                 |                 |                  |                 |
| Total number of ordinary shares issued                            | 10,000,000      | 10,000,000      | 10,000,000       | 10,000,000      |
| <b>Net asset value per ordinary share (LKR)</b>                   | <b>9,284.96</b> | <b>8,148.46</b> | <b>10,247.53</b> | <b>9,206.36</b> |

## 47. Permanent Reserve Fund

|                                  | Bank             |                  | Group            |                  |
|----------------------------------|------------------|------------------|------------------|------------------|
|                                  | 2016<br>LKR '000 | 2015<br>LKR '000 | 2016<br>LKR '000 | 2015<br>LKR '000 |
| Balance as at 1 January          | 5,209,955        | 3,809,955        | 5,209,955        | 3,809,955        |
| Transfers during the year        | 2,786,045        | 1,400,000        | 2,786,045        | 1,400,000        |
| <b>Balance as at 31 December</b> | <b>7,996,000</b> | <b>5,209,955</b> | <b>7,996,000</b> | <b>5,209,955</b> |

The permanent reserve fund is maintained as required by Bank of Ceylon Ordinance (Chapter 397) whereby the Bank must, out of net profit after taxation, but before any dividend is declared, transfer to a reserve, a sum equivalent to not less than 20% of such profit, until the reserve is equivalent to 50% of the issued and paid-up capital and thereafter, an appropriate amount determined at 2% per annum in terms of Section 20 (1) and (2) of the Banking Act No. 30 of 1988 until the reserve is equal to the paid-up capital.

In order to meet the requirement, an amount of LKR 2,786.0 million was transferred to the permanent reserve during the year 2016. (2015 – LKR 1,400.0 million).

The balance in the permanent reserve fund will be used only for the purposes specified in the Section 20 (2) of the Banking Act No. 30 of 1988.

## 48. Other Reserves

| <i>As at 31 December</i>                 | Bank              |                   | Group             |                   |
|------------------------------------------|-------------------|-------------------|-------------------|-------------------|
|                                          | 2016<br>LKR '000  | 2015<br>LKR '000  | 2016<br>LKR '000  | 2015<br>LKR '000  |
| Revaluation reserve [Note 48.1]          | 10,002,294        | 8,607,654         | 16,494,059        | 14,469,008        |
| Free reserve [Note 48.2]                 | 169,067           | 169,067           | 366,644           | 366,644           |
| Exchange translation reserve [Note 48.3] | 1,040,368         | 874,575           | 1,060,420         | 1,288,487         |
| Available for sale reserve [Note 48.4]   | 4,487,181         | 5,537,359         | 5,562,266         | 6,539,515         |
| Statutory reserve – other [Note 48.5]    | –                 | –                 | 336,899           | 301,669           |
| <b>Total other reserves</b>              | <b>15,698,910</b> | <b>15,188,655</b> | <b>23,820,288</b> | <b>22,965,323</b> |

## 48.1 Revaluation Reserve

|                                         | Bank              |                  | Group             |                   |
|-----------------------------------------|-------------------|------------------|-------------------|-------------------|
|                                         | 2016<br>LKR '000  | 2015<br>LKR '000 | 2016<br>LKR '000  | 2015<br>LKR '000  |
| Balance as at 1 January                 | 8,607,654         | 8,587,167        | 14,469,008        | 13,807,627        |
| Change in revaluation surplus/(deficit) | 1,394,640         | 8,169            | 2,307,452         | 933,459           |
| Deferred tax effect on above            | –                 | 12,318           | (255,587)         | (246,763)         |
| Transferred to non-controlling interest | –                 | –                | (26,814)          | (25,315)          |
| <b>Balance as at 31 December</b>        | <b>10,002,294</b> | <b>8,607,654</b> | <b>16,494,059</b> | <b>14,469,008</b> |

The revaluation reserve represents the surpluses arising on the revaluation of freehold properties which are still in use.

According to the regulatory directives, issued by Central Bank of Sri Lanka, the Bank can consider the revaluation surplus as supplementary capital in computing capital adequacy ratio, once in every seven years.

## 48.2 Free Reserve

|                                  | Bank             |                  | Group            |                  |
|----------------------------------|------------------|------------------|------------------|------------------|
|                                  | 2016<br>LKR '000 | 2015<br>LKR '000 | 2016<br>LKR '000 | 2015<br>LKR '000 |
| Balance as at 1 January          | 169,067          | 169,067          | 366,644          | 366,644          |
| <b>Balance as at 31 December</b> | <b>169,067</b>   | <b>169,067</b>   | <b>366,644</b>   | <b>366,644</b>   |

Free reserve has been created for unforeseeable risks and future losses.

## 48.3 Exchange Translation Reserve

|                                                                                                | Bank             |                  | Group            |                  |
|------------------------------------------------------------------------------------------------|------------------|------------------|------------------|------------------|
|                                                                                                | 2016<br>LKR '000 | 2015<br>LKR '000 | 2016<br>LKR '000 | 2015<br>LKR '000 |
| Balance as at 1 January                                                                        | 874,575          | 415,014          | 1,288,487        | 710,383          |
| Exchange gains/(losses) arising from translating the financial statement of foreign operations | 165,793          | 459,561          | (228,067)        | 578,104          |
| <b>Balance as at 31 December</b>                                                               | <b>1,040,368</b> | <b>874,575</b>   | <b>1,060,420</b> | <b>1,288,487</b> |

This represents the exchange differences arising from translating investments made in the capital and net exchange movement arising on the translation of net equity of Bank of Ceylon (UK) Limited and foreign branches and also exchange differences arising from translation of the results of foreign branches for this year from the average rate to the exchange rate ruling at the year end.

## 48.4 Available for Sale Reserve

|                                                                                          | Bank             |                  | Group            |                  |
|------------------------------------------------------------------------------------------|------------------|------------------|------------------|------------------|
|                                                                                          | 2016<br>LKR '000 | 2015<br>LKR '000 | 2016<br>LKR '000 | 2015<br>LKR '000 |
| Balance as at 1 January                                                                  | 5,537,359        | 6,963,665        | 6,539,515        | 7,762,004        |
| Gains/(Losses) on remeasuring available for sale financial investments                   | (1,025,760)      | (1,299,873)      | (957,182)        | (1,094,565)      |
| Deferred tax effect on above                                                             | (8,893)          | (122,661)        | (8,893)          | (122,661)        |
| Realised gains on available for sale financial investments transferred to profit or loss | (15,525)         | (3,772)          | (15,525)         | (3,772)          |
| Transferred to non-controlling interest                                                  | –                | –                | 4,351            | (1,491)          |
| <b>Balance as at 31 December</b>                                                         | <b>4,487,181</b> | <b>5,537,359</b> | <b>5,562,266</b> | <b>6,539,515</b> |



## 48.5 Statutory Reserve – Other

|                                  | Bank             |                  | Group            |                  |
|----------------------------------|------------------|------------------|------------------|------------------|
|                                  | 2016<br>LKR '000 | 2015<br>LKR '000 | 2016<br>LKR '000 | 2015<br>LKR '000 |
| Balance as at 1 January          | –                | –                | 301,669          | 275,391          |
| Transfers during the year        | –                | –                | 35,230           | 22,936           |
| Adjustments due to merger        | –                | –                | –                | 3,342            |
| <b>Balance as at 31 December</b> | <b>–</b>         | <b>–</b>         | <b>336,899</b>   | <b>301,669</b>   |

Statutory reserve – other represents the reserve funds maintained by Merchant Bank of Sri Lanka & Finance PLC, in terms of the Finance Companies (Capital Funds) Direction No. 01 of 2003, issued by the Central Bank of Sri Lanka.

## 49. Non-Controlling Interest

| As at 31 December                        | Group            |                  |
|------------------------------------------|------------------|------------------|
|                                          | 2016<br>LKR '000 | 2015<br>LKR '000 |
| Property Development PLC                 | 159,105          | 170,748          |
| Merchant Bank of Sri Lanka & Finance PLC | 660,677          | 685,147          |
| MBSL Insurance Company Limited           | 34,318           | 131,717          |
| Hotels Colombo (1963) Limited            | 22               | 21               |
| Koladeniya Hydropower (Private) Limited  | 25,323           | 23,007           |
| <b>Total non-controlling interest</b>    | <b>879,445</b>   | <b>1,010,640</b> |

## 50. Notes to the Statement of Cash Flows

### 50.1 Change in Operating Assets

| For the year ended 31 December                                          | Bank                 |                     | Group                |                     |
|-------------------------------------------------------------------------|----------------------|---------------------|----------------------|---------------------|
|                                                                         | 2016<br>LKR '000     | 2015<br>LKR '000    | 2016<br>LKR '000     | 2015<br>LKR '000    |
| Change in deposits with regulatory authorities                          | (17,447,951)         | (8,517,417)         | (17,447,951)         | (8,517,417)         |
| Loans and advances to customers                                         | (177,678,392)        | (97,578,628)        | (180,373,019)        | (100,793,843)       |
| Net (increase)/decrease in financial instruments – Held for trading     | 3,545,462            | 5,186,820           | 3,583,801            | 5,184,659           |
| Net (increase)/decrease in securities purchased under resale agreements | 26,698,388           | 32,027,368          | 26,752,059           | 31,681,189          |
| Net (increase)/decrease in derivative financial instruments             | 2,118,444            | (5,704,732)         | 2,118,444            | (5,704,732)         |
| Change in other operating assets                                        | 2,096,611            | (303,752)           | 1,407,765            | (64,082)            |
| <b>Total</b>                                                            | <b>(160,667,438)</b> | <b>(74,890,341)</b> | <b>(163,958,901)</b> | <b>(78,214,226)</b> |

### 50.2 Change in Operating Liabilities

| For the year ended 31 December                                         | Bank               |                    | Group              |                    |
|------------------------------------------------------------------------|--------------------|--------------------|--------------------|--------------------|
|                                                                        | 2016<br>LKR '000   | 2015<br>LKR '000   | 2016<br>LKR '000   | 2015<br>LKR '000   |
| Net increase/(decrease) in deposits from banks                         | (8,211)            | 903,835            | (8,211)            | 903,835            |
| Net increase/(decrease) in deposits from customers                     | 169,076,395        | 148,197,880        | 170,504,609        | 153,843,168        |
| Net increase/(decrease) in securities sold under repurchase agreements | (27,928,525)       | 36,070,317         | (27,288,164)       | 35,294,118         |
| Net increase/(decrease) in short-term borrowings                       | (12,257,447)       | (2,617,464)        | (12,388,503)       | (5,656,678)        |
| Net increase/(decrease) in derivative financial instruments            | 15,361             | (578,246)          | 15,361             | (578,246)          |
| Change in other operating liabilities                                  | 2,514,223          | 6,833,842          | 4,060,248          | 7,063,270          |
| <b>Total</b>                                                           | <b>131,411,796</b> | <b>188,810,164</b> | <b>134,895,340</b> | <b>190,869,467</b> |



### 50.3 Other Non-Cash Items Included in Profit Before Tax

| For the year ended 31 December                             | Bank             |                  | Group            |                  |
|------------------------------------------------------------|------------------|------------------|------------------|------------------|
|                                                            | 2016<br>LKR '000 | 2015<br>LKR '000 | 2016<br>LKR '000 | 2015<br>LKR '000 |
| Exchange revaluation                                       | (1,069,579)      | (2,311,271)      | (1,069,579)      | (2,311,271)      |
| Contribution paid to defined benefit plans                 | 929,084          | 524,908          | 1,034,752        | 591,330          |
| Loan impairment charges                                    | 4,396,761        | 5,903,803        | 4,421,000        | 6,365,954        |
| Depreciation of investment property                        | –                | –                | 2,961            | 3,036            |
| Depreciation of Property, Plant and Equipment              | 1,263,914        | 1,196,066        | 1,758,040        | 1,637,836        |
| Amortisation of intangible assets and leasehold properties | 189,282          | 194,669          | 238,902          | 244,190          |
| Accrual for expenses and other non-cash items              | (1,877,363)      | 1,709,414        | (1,495,233)      | 1,859,756        |
| <b>Total</b>                                               | <b>3,832,099</b> | <b>7,217,589</b> | <b>4,890,843</b> | <b>8,390,831</b> |

### 51. Contingent Liabilities and Commitments

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be readily measured as defined in the Sri Lanka Accounting Standard – LKAS 37 on 'Provisions, Contingent Liabilities and Contingent Assets'.

In the normal course of business, the Bank undertakes commitments and incurs contingent liabilities with legal recourse to its customers to accommodate the financial and investment needs of clients, to conduct trading activities and to manage its own exposure to risk. These consist of financial guarantees, letters of credit and other undrawn commitments to lend. Letters of credit and guarantees (including standby letters of credit) commit the Bank to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods. Guarantees and standby letters of credit carry a similar credit risk to loans. Operating lease commitments of the Bank (as a lessor and as a lessee) and pending legal claims against the Bank also form part of commitments of the Bank.

Contingent liabilities are not recognised in the Statement of Financial Position but are disclosed unless they are remote. These financial instruments generate interest or fees and carries elements of credit risk in excess of those amounts recognised as assets and liabilities in the Statement of Financial Position. However, no material losses are anticipated as a result of these transactions.

These commitments and contingencies are quantified below:

| As at 31 December                                   | Bank               |                    | Group              |                    |
|-----------------------------------------------------|--------------------|--------------------|--------------------|--------------------|
|                                                     | 2016<br>LKR '000   | 2015<br>LKR '000   | 2016<br>LKR '000   | 2015<br>LKR '000   |
| Contingent liabilities [Note 51.1]                  | 386,661,049        | 360,000,238        | 387,580,301        | 360,977,432        |
| Undrawn and undisbursed facilities [Note 51.2]      | 149,416,786        | 329,432,048        | 149,416,786        | 329,432,065        |
| Capital commitments [Note 51.3]                     | 8,603,409          | 6,094,210          | 8,603,409          | 6,179,304          |
| Lease commitments [Note 51.4]                       | 2,717,381          | 1,330,554          | 2,733,124          | 1,349,293          |
| <b>Total contingent liabilities and commitments</b> | <b>547,398,625</b> | <b>696,857,050</b> | <b>548,333,620</b> | <b>697,938,094</b> |

## 51.1 Contingent Liabilities

| As at 31 December                   | Bank               |                    | Group              |                    |
|-------------------------------------|--------------------|--------------------|--------------------|--------------------|
|                                     | 2016<br>LKR '000   | 2015<br>LKR '000   | 2016<br>LKR '000   | 2015<br>LKR '000   |
| Acceptances and documentary credit  | 133,108,741        | 145,462,242        | 133,763,857        | 145,800,676        |
| Bills for collection                | 4,924,009          | 9,483,364          | 4,924,009          | 9,483,364          |
| Forward exchange contracts          | 78,538,947         | 37,342,272         | 78,538,947         | 37,342,272         |
| Guarantees                          | 88,636,554         | 91,386,393         | 88,975,690         | 91,547,460         |
| Other commitments [Note 51.1.1]     | 81,452,798         | 76,325,967         | 81,377,798         | 76,803,660         |
| <b>Total contingent liabilities</b> | <b>386,661,049</b> | <b>360,000,238</b> | <b>387,580,301</b> | <b>360,977,432</b> |

### 51.1.1 Other Commitments

| As at 31 December                                      | Bank              |                   | Group             |                   |
|--------------------------------------------------------|-------------------|-------------------|-------------------|-------------------|
|                                                        | 2016<br>LKR '000  | 2015<br>LKR '000  | 2016<br>LKR '000  | 2015<br>LKR '000  |
| Purchase commitment of securities for secondary market | –                 | 300,000           | –                 | 300,000           |
| Purchase commitment of securities for primary market   | 2,075,000         | 2,820,000         | 2,075,000         | 2,820,000         |
| Sale commitment of securities for primary market       | 75,000            | –                 | –                 | –                 |
| Forward exchange sales with financial institutions     | 65,298            | 75,967            | 65,298            | 75,967            |
| Currency swaps                                         | 79,237,500        | 73,130,000        | 79,237,500        | 73,130,000        |
| Other commitments                                      | –                 | –                 | –                 | 477,693           |
| <b>Total other commitments</b>                         | <b>81,452,798</b> | <b>76,325,967</b> | <b>81,377,798</b> | <b>76,803,660</b> |

## 51.2 Undrawn and Undisbursed Facilities

The unutilised value of irrevocable commitments, which cannot be withdrawn at the discretion of the Bank, without risk of incurring significant penalties or expenses are as follows:

| As at 31 December                               | Bank               |                    | Group              |                    |
|-------------------------------------------------|--------------------|--------------------|--------------------|--------------------|
|                                                 | 2016<br>LKR '000   | 2015<br>LKR '000   | 2016<br>LKR '000   | 2015<br>LKR '000   |
| Undisbursed amount of loans                     | 33,906,107         | 38,824,119         | 33,906,107         | 38,824,119         |
| Undrawn limits of overdrafts                    | 75,505,676         | 81,925,485         | 75,505,676         | 81,925,495         |
| Undrawn limits of credit cards                  | 7,344,133          | 6,196,195          | 7,344,133          | 6,196,195          |
| Undrawn limits of letters of credit             | 18,213,723         | 125,420,567        | 18,213,723         | 125,420,574        |
| Undrawn limits of letters of guarantee          | 14,447,147         | 77,065,682         | 14,447,147         | 77,065,682         |
| <b>Total undrawn and undisbursed facilities</b> | <b>149,416,786</b> | <b>329,432,048</b> | <b>149,416,786</b> | <b>329,432,065</b> |

## 51.3 Capital Commitments

Capital expenditure approved by the Directors, for which, no provision has been made in the Financial Statements, amounts to:

### 51.3.1 Capital Commitments in Relation to Property, Plant and Equipment

| As at 31 December                                                             | Bank             |                  | Group            |                  |
|-------------------------------------------------------------------------------|------------------|------------------|------------------|------------------|
|                                                                               | 2016<br>LKR '000 | 2015<br>LKR '000 | 2016<br>LKR '000 | 2015<br>LKR '000 |
| Approved and contracted for                                                   | 1,170,440        | 1,630,747        | 1,170,440        | 1,715,841        |
| Approved but not contracted for                                               | 5,565,334        | 3,412,402        | 5,565,334        | 3,412,402        |
| <b>Total capital commitments in relation to Property, Plant and Equipment</b> | <b>6,735,774</b> | <b>5,043,149</b> | <b>6,735,774</b> | <b>5,128,243</b> |

### 51.3.2 Capital Commitments in Relation to Intangible Assets

| As at 31 December                                                 | Bank             |                  | Group            |                  |
|-------------------------------------------------------------------|------------------|------------------|------------------|------------------|
|                                                                   | 2016<br>LKR '000 | 2015<br>LKR '000 | 2016<br>LKR '000 | 2015<br>LKR '000 |
| Approved and contracted for                                       | 1,867,635        | 895,061          | 1,867,635        | 895,061          |
| Approved and not contracted for                                   | –                | 156,000          | –                | 156,000          |
| <b>Total capital commitments in relation to intangible assets</b> | <b>1,867,635</b> | <b>1,051,061</b> | <b>1,867,635</b> | <b>1,051,061</b> |
| <b>Total capital commitments</b>                                  | <b>8,603,409</b> | <b>6,094,210</b> | <b>8,603,409</b> | <b>6,179,304</b> |

## 51.4 Lease Commitments

### 51.4.1 Operating Lease Commitments

Future minimum lease payments under non-cancellable operating leases, where the Bank is the lessee, are as follows:

| As at 31 December                            | Bank             |                  | Group            |                  |
|----------------------------------------------|------------------|------------------|------------------|------------------|
|                                              | 2016<br>LKR '000 | 2015<br>LKR '000 | 2016<br>LKR '000 | 2015<br>LKR '000 |
| Not later than 1 year                        | 1,082,266        | 934,280          | 1,082,266        | 934,280          |
| Later than 1 year and not later than 5 years | 1,590,947        | 383,386          | 1,590,947        | 383,386          |
| Later than 5 years                           | 44,168           | 12,888           | 44,168           | 12,888           |
| <b>Total operating lease commitments</b>     | <b>2,717,381</b> | <b>1,330,554</b> | <b>2,717,381</b> | <b>1,330,554</b> |

### 51.4.2 Finance Lease Commitments

Future minimum lease payments under non-cancellable finance leases, where the Bank is the lessee, are as follows:

| As at 31 December                            | Bank             |                  | Group            |                  |
|----------------------------------------------|------------------|------------------|------------------|------------------|
|                                              | 2016<br>LKR '000 | 2015<br>LKR '000 | 2016<br>LKR '000 | 2015<br>LKR '000 |
| Not later than 1 year                        | –                | –                | 5,057            | 3,841            |
| Later than 1 year and not later than 5 years | –                | –                | 10,686           | 13,235           |
| Later than 5 years                           | –                | –                | –                | 1,663            |
| <b>Total finance lease commitments</b>       | <b>–</b>         | <b>–</b>         | <b>15,743</b>    | <b>18,739</b>    |
| <b>Total lease commitments</b>               | <b>2,717,381</b> | <b>1,330,554</b> | <b>2,733,124</b> | <b>1,349,293</b> |

## 51.5 Litigation

Litigations are anticipated in the context of business operations due to the nature of the transactions involved. The Bank and the Group's companies are involved in various such legal actions and the controls have been established to deal with such legal claims. There are pending litigations existing as at the end of the Reporting period against the Bank, resulting through normal business operations.

Litigations against the Bank have been assessed in terms of the probability of any claims or damages arising against the Bank, which require provisions to be made in the Financial Statements as per LKAS 37 – 'Provisions, Contingent Liabilities and Contingent Assets'.

As of 31 December 2016, claims for the Legal Actions against the Bank approximately amount to LKR 2,523.7 million, nevertheless, the Bank has no impact over such claims whatsoever affecting to the business, operations or image of the Bank.

## 52. Assets Pledged as Security

The securities sold under repurchase agreement, debentures and debt securities issued by the Bank and the Group and details of assets pledged by the Bank and the Group, to secure those liabilities are given below:

| As at 31 December                           | Bank              |                   | Group             |                   |
|---------------------------------------------|-------------------|-------------------|-------------------|-------------------|
|                                             | 2016<br>LKR '000  | 2015<br>LKR '000  | 2016<br>LKR '000  | 2015<br>LKR '000  |
| <b>Borrowings;</b>                          |                   |                   |                   |                   |
| Securities sold under repurchase agreements | 59,424,629        | 87,353,154        | 58,925,801        | 86,213,965        |
| Refinance purposes                          | –                 | –                 | 361,197           | 131,750           |
|                                             | <b>59,424,629</b> | <b>87,353,154</b> | <b>59,286,998</b> | <b>86,345,715</b> |
| <b>Secured by;</b>                          |                   |                   |                   |                   |
| Treasury bonds                              | 84,117,378        | 99,618,044        | 83,411,272        | 98,318,907        |
| Lease/Hire purchase rentals receivables     | –                 | –                 | 325,867           | 130,000           |
| Fixed deposits                              | –                 | –                 | 35,330            | 1,750             |
| <b>Total assets pledged as securities</b>   | <b>84,117,378</b> | <b>99,618,044</b> | <b>83,772,469</b> | <b>98,450,657</b> |

## 53. Events After the Reporting Date

Events after the Reporting date are those events, favourable and unfavourable, that occur between the Reporting date and the date the Financial Statements are authorised for issue. There are no events occurring after the Reporting date which require adjustments to or disclosure in the Financial Statements, other than those disclosed below pertaining to the Group.

An indirect subsidiary company of the Bank, MBSL Insurance Company Limited, is in the disposal process when the Financial Statements are authorised for issue. The Bank holds 62.7% interest in MBSL Insurance Company limited through its direct holding of 74.5% in Merchant Bank of Sri Lanka and Finance PLC (MBSL & Finance PLC).

MBSL & Finance PLC has decided to dispose its stake in MBSL Insurance Company Limited and required approvals from the Board of Directors and Regulatory firms have been obtained in this regard. However, the sale of the investment has not taken place as at the signing date of these Financial Statements, hence no adjustments have been done in these financials.

## 54. Maturity Analysis of Assets and Liabilities

The analysis of total assets and liabilities of the Bank and the Group into relevant maturity groupings based on the remaining period as at 31 December 2016, into the contractual maturity date, is given in the table below:

| As at 31 December 2016                        | Bank                            |                                |                      | Group                           |                                |                      |
|-----------------------------------------------|---------------------------------|--------------------------------|----------------------|---------------------------------|--------------------------------|----------------------|
|                                               | Within<br>12 months<br>LKR '000 | After<br>12 months<br>LKR '000 | Total<br>LKR '000    | Within<br>12 months<br>LKR '000 | After<br>12 months<br>LKR '000 | Total<br>LKR '000    |
| <b>Assets</b>                                 |                                 |                                |                      |                                 |                                |                      |
| Cash and cash equivalents                     | 67,705,791                      | –                              | 67,705,791           | 73,244,043                      | –                              | 73,244,043           |
| Balances with Central Banks                   | 56,387,741                      | –                              | 56,387,741           | 56,387,741                      | –                              | 56,387,741           |
| Placements with banks                         | 8,349,116                       | 3,325,548                      | 11,674,664           | 12,931,605                      | –                              | 12,931,605           |
| Securities purchased under resale agreements  | 1,901,618                       | –                              | 1,901,618            | 2,350,704                       | –                              | 2,350,704            |
| Derivative financial instruments              | 5,300,844                       | –                              | 5,300,844            | 5,300,844                       | –                              | 5,300,844            |
| Financial instruments – Held for trading      | 8,474,041                       | –                              | 8,474,041            | 8,804,647                       | –                              | 8,804,647            |
| Financial investments – Loans and receivables | 61,404,333                      | 130,470,305                    | 191,874,638          | 63,658,362                      | 128,325,720                    | 191,984,082          |
| Loans and advances to customers               | 515,932,747                     | 484,149,827                    | 1,000,082,574        | 525,522,406                     | 502,245,704                    | 1,027,768,110        |
| Financial investments – Available for sale    | 379,780                         | 10,083,266                     | 10,463,046           | 2,883,852                       | 13,379,789                     | 16,263,641           |
| Financial investments – Held to maturity      | 86,711,371                      | 156,467,029                    | 243,178,400          | 86,715,615                      | 156,538,352                    | 243,253,967          |
| Investment in subsidiary companies            | –                               | 6,213,048                      | 6,213,048            | –                               | –                              | –                    |
| Investment in associate companies             | –                               | 92,988                         | 92,988               | –                               | 420,669                        | 420,669              |
| Investment properties                         | –                               | 3,000,000                      | 3,000,000            | –                               | 127,670                        | 127,670              |
| Property, Plant and Equipment                 | –                               | 15,482,163                     | 15,482,163           | –                               | 29,200,036                     | 29,200,036           |
| Leasehold properties                          | –                               | 101,839                        | 101,839              | –                               | 136,155                        | 136,155              |
| Intangible assets                             | –                               | 563,490                        | 563,490              | –                               | 655,630                        | 655,630              |
| Deferred tax assets                           | –                               | –                              | –                    | –                               | 5,456                          | 5,456                |
| Other assets                                  | 38,045,288                      | 8,749,101                      | 46,794,389           | 38,935,923                      | 8,785,778                      | 47,721,701           |
| <b>Total assets</b>                           | <b>850,592,670</b>              | <b>818,698,604</b>             | <b>1,669,291,274</b> | <b>876,735,742</b>              | <b>839,820,959</b>             | <b>1,716,556,701</b> |
| <b>Percentage (%)</b>                         | <b>51.0</b>                     | <b>49.0</b>                    | <b>100.0</b>         | <b>51.1</b>                     | <b>48.9</b>                    | <b>100.0</b>         |
| <b>Liabilities</b>                            |                                 |                                |                      |                                 |                                |                      |
| Due to banks                                  | 2,042,322                       | –                              | 2,042,322            | 2,053,945                       | –                              | 2,053,945            |
| Securities sold under repurchase agreements   | 59,424,629                      | –                              | 59,424,629           | 58,925,801                      | –                              | 58,925,801           |
| Derivative financial instruments              | 171,663                         | –                              | 171,663              | 171,663                         | –                              | 171,663              |
| Due to customers                              | 1,204,007,842                   | 52,581,648                     | 1,256,589,490        | 1,218,172,217                   | 55,459,070                     | 1,273,631,287        |
| Other borrowings                              | 112,485,505                     | 82,984,348                     | 195,469,853          | 121,497,667                     | 82,987,634                     | 204,485,301          |
| Debt securities issued                        | 3,427,058                       | –                              | 3,427,058            | 4,797,781                       | 3,562,552                      | 8,360,333            |
| Current tax liabilities                       | –                               | –                              | –                    | 253,020                         | –                              | 253,020              |
| Deferred tax liabilities                      | –                               | 1,439,285                      | 1,439,285            | –                               | 4,078,734                      | 4,078,734            |
| Insurance provision – Life                    | –                               | –                              | –                    | –                               | 514,675                        | 514,675              |
| Insurance provision – Non-life                | –                               | –                              | –                    | –                               | 775,375                        | 775,375              |
| Other liabilities                             | 15,074,095                      | 4,157,738                      | 19,231,833           | 16,030,315                      | 5,626,198                      | 21,656,513           |
| Subordinated term debts                       | 6,645,546                       | 32,000,000                     | 38,645,546           | 6,645,546                       | 31,649,772                     | 38,295,318           |
| Equity                                        | –                               | 92,849,595                     | 92,849,595           | –                               | 103,354,736                    | 103,354,736          |
| <b>Total liabilities and Equity</b>           | <b>1,403,278,660</b>            | <b>266,012,614</b>             | <b>1,669,291,274</b> | <b>1,428,547,955</b>            | <b>288,008,746</b>             | <b>1,716,556,701</b> |
| <b>Percentage (%)</b>                         | <b>84.1</b>                     | <b>15.9</b>                    | <b>100.0</b>         | <b>83.2</b>                     | <b>16.8</b>                    | <b>100.0</b>         |
| <b>Net gap</b>                                | <b>(552,685,990)</b>            | <b>552,685,990</b>             | <b>–</b>             | <b>(551,812,213)</b>            | <b>551,812,213</b>             | <b>–</b>             |

The analysis of total assets and liabilities of the Bank and the Group into relevant maturity groupings based on the remaining period as at 31 December 2015 into the contractual maturity date is given in the table below:

| As at 31 December 2015                        | Bank                            |                                |                      | Group                           |                                |                      |
|-----------------------------------------------|---------------------------------|--------------------------------|----------------------|---------------------------------|--------------------------------|----------------------|
|                                               | Within<br>12 months<br>LKR '000 | After<br>12 months<br>LKR '000 | Total<br>LKR '000    | Within<br>12 months<br>LKR '000 | After<br>12 months<br>LKR '000 | Total<br>LKR '000    |
| <b>Assets</b>                                 |                                 |                                |                      |                                 |                                |                      |
| Cash and cash equivalents                     | 79,916,559                      | –                              | 79,916,559           | 83,722,721                      | –                              | 83,722,721           |
| Balances with Central Banks                   | 38,939,790                      | –                              | 38,939,790           | 38,939,790                      | –                              | 38,939,790           |
| Placements with banks                         | 27,975,582                      | –                              | 27,975,582           | 28,355,579                      | –                              | 28,355,579           |
| Securities purchased under resale agreements  | 12,299,088                      | –                              | 12,299,088           | 13,678,789                      | –                              | 13,678,789           |
| Derivative financial instruments              | 7,419,288                       | –                              | 7,419,288            | 7,419,288                       | –                              | 7,419,288            |
| Financial instruments – Held for trading      | 11,244,526                      | 928,778                        | 12,173,304           | 11,797,267                      | 928,778                        | 12,726,045           |
| Financial investments – Loans and receivables | 97,734,654                      | 134,826,614                    | 232,561,268          | 98,269,862                      | 134,733,880                    | 233,003,742          |
| Loans and advances to customers               | 536,053,214                     | 290,736,416                    | 826,789,630          | 545,109,197                     | 306,796,030                    | 851,905,227          |
| Financial investments – Available for sale    | 1,536,713                       | 10,484,856                     | 12,021,569           | 3,048,241                       | 13,218,411                     | 16,266,652           |
| Financial investments – Held to maturity      | 41,853,165                      | 204,435,460                    | 246,288,625          | 41,857,544                      | 204,491,967                    | 246,349,511          |
| Investment in subsidiary companies            | –                               | 6,213,048                      | 6,213,048            | –                               | –                              | –                    |
| Investment in associate companies             | –                               | 842,988                        | 842,988              | –                               | 1,912,317                      | 1,912,317            |
| Investment properties                         | –                               | –                              | –                    | –                               | 145,840                        | 145,840              |
| Property, Plant and Equipment                 | –                               | 16,325,758                     | 16,325,758           | –                               | 26,441,803                     | 26,441,803           |
| Leasehold properties                          | –                               | 104,653                        | 104,653              | –                               | 140,330                        | 140,330              |
| Intangible assets                             | –                               | 373,315                        | 373,315              | –                               | 503,958                        | 503,958              |
| Deferred tax assets                           | –                               | –                              | –                    | –                               | 10,142                         | 10,142               |
| Other assets                                  | 47,636,745                      | 407,490                        | 48,044,235           | 48,230,585                      | 447,001                        | 48,677,586           |
| <b>Total assets</b>                           | <b>902,609,324</b>              | <b>665,679,376</b>             | <b>1,568,288,700</b> | <b>920,428,863</b>              | <b>689,770,457</b>             | <b>1,610,199,320</b> |
| <b>Percentage (%)</b>                         | <b>57.6</b>                     | <b>42.4</b>                    | <b>100.0</b>         | <b>57.2</b>                     | <b>42.8</b>                    | <b>100.0</b>         |
| <b>Liabilities</b>                            |                                 |                                |                      |                                 |                                |                      |
| Due to banks                                  | 2,630,408                       | –                              | 2,630,408            | 2,632,827                       | –                              | 2,632,827            |
| Securities sold under repurchase agreements   | 87,353,154                      | –                              | 87,353,154           | 86,213,965                      | –                              | 86,213,965           |
| Derivative financial instruments              | 156,302                         | –                              | 156,302              | 156,302                         | –                              | 156,302              |
| Due to customers                              | 1,046,196,327                   | 36,140,791                     | 1,082,337,118        | 1,059,532,512                   | 38,418,190                     | 1,097,950,702        |
| Other borrowings                              | 97,540,868                      | 152,548,234                    | 250,089,102          | 99,071,109                      | 156,723,970                    | 255,795,079          |
| Debt securities issued                        | 27,058                          | 3,400,000                      | 3,427,058            | 812,628                         | 7,891,119                      | 8,703,747            |
| Current tax liabilities                       | 2,080,849                       | –                              | 2,080,849            | 2,284,079                       | –                              | 2,284,079            |
| Deferred tax liabilities                      | –                               | 1,516,995                      | 1,516,995            | –                               | 3,948,551                      | 3,948,551            |
| Insurance provision – Life                    | –                               | –                              | –                    | –                               | 444,257                        | 444,257              |
| Insurance provision – Non-life                | –                               | –                              | –                    | –                               | 517,659                        | 517,659              |
| Other liabilities                             | 19,779,111                      | 1,806,533                      | 21,585,644           | 20,865,767                      | 2,322,165                      | 23,187,932           |
| Subordinated term debts                       | 5,627,450                       | 30,000,000                     | 35,627,450           | 5,627,451                       | 29,662,556                     | 35,290,007           |
| Equity                                        | –                               | 81,484,620                     | 81,484,620           | –                               | 93,074,213                     | 93,074,213           |
| <b>Total liabilities and equity</b>           | <b>1,261,391,527</b>            | <b>306,897,173</b>             | <b>1,568,288,700</b> | <b>1,277,196,640</b>            | <b>333,002,680</b>             | <b>1,610,199,320</b> |
| <b>Percentage (%)</b>                         | <b>80.4</b>                     | <b>19.6</b>                    | <b>100.0</b>         | <b>79.3</b>                     | <b>20.7</b>                    | <b>100.0</b>         |
| <b>Net gap</b>                                | <b>(358,782,203)</b>            | <b>358,782,203</b>             | <b>–</b>             | <b>(356,767,777)</b>            | <b>356,767,777</b>             | <b>–</b>             |

## 55. Related Party Disclosures

The Bank has entered into transactions with the parties who are defined as related parties in Sri Lanka Accounting Standard – LKAS 24 – ‘Related Party Disclosures’. i.e. significant investors, subsidiary and associate companies, post employment benefit plans for the Bank’s employees, Key Management Personnel (KMPs), Close Family Members (CFMs) of KMPs and other related entities. Those transactions include lending activities, acceptance and placements, off balance sheet transactions and provision of other banking and financial services that are carried out in the ordinary course of business on an arm’s length basis at commercial rates, except for the transactions that KMPs have availed under schemes uniformly applicable to all the staff at concessionary rates.

### 55.1 Parent and the Ultimate Controlling Party

Bank of Ceylon is a Government owned bank.

### 55.2 Key Management Personnel (KMPs) and Their Close Family Members (CFMs)

#### 55.2.1 Compensation to Key Management Personnel (KMPs) and their Close Family Members (CFMs)

As per the Sri Lanka Accounting Standard – LKAS 24 – ‘Related Party Disclosures’, the KMPs include those who are having authority and responsibility for planning, directing and controlling the activities of the Bank. Accordingly, the Board of Directors and selected key members of the Corporate Management are identified as KMPs who meet the above criteria.

CFMs are defined as family members who may be expected to influence or be influenced by, that KMP in their dealings with the entity, i.e. spouse, children under 18 years of age and dependants of KMPs. Dependant is defined as anyone who depends on the respective KMP for more than 50% of his or her financial needs.

#### Compensation to KMPs of the Bank

| For the Year ended 31 December | Bank             |                  | Group            |                  |
|--------------------------------|------------------|------------------|------------------|------------------|
|                                | 2016<br>LKR '000 | 2015<br>LKR '000 | 2016<br>LKR '000 | 2015<br>LKR '000 |
| Short-term employment benefits | 19,473           | 15,379           | 21,752           | 15,859           |
| Post employment benefits       | 4,326            | 3,756            | 4,326            | 3,756            |
| <b>Total</b>                   | <b>23,799</b>    | <b>19,135</b>    | <b>26,078</b>    | <b>19,615</b>    |

In addition to the above, the Bank/Group has also provided non-cash benefits to the KMPs in line with the approved benefit plans of the Bank/Group.

#### 55.2.2 Transactions, Arrangements and Agreements Involving Key Management Personnel (KMPs) and their Close Family Members (CFMs)

##### (a) Items in Statement of Profit or Loss

| For the year ended 31 December | KMPs & CFMs      |                  |
|--------------------------------|------------------|------------------|
|                                | 2016<br>LKR '000 | 2015<br>LKR '000 |
| Interest income                | 714              | 550              |
| Interest expenses              | 2,238            | 1,272            |



### **(b) Items in Statement of Financial Position**

| <i>As at 31 December</i> | KMPs & CFMs      |                  |
|--------------------------|------------------|------------------|
|                          | 2016<br>LKR '000 | 2015<br>LKR '000 |
| <b>Assets</b>            |                  |                  |
| Loans                    | 11,716           | 9,559            |
| Credit cards             | 58               | 389              |
|                          | 11,774           | 9,948            |
| <b>Liabilities</b>       |                  |                  |
| Due to customers         | 37,926           | 25,920           |
|                          | 37,926           | 25,920           |

### **(c) Off Balance Sheet Items**

| <i>As at 31 December</i> | KMPs & CFMs      |                  |
|--------------------------|------------------|------------------|
|                          | 2016<br>LKR '000 | 2015<br>LKR '000 |
| Undrawn facilities       | 2,192            | 1,361            |
|                          | 2,192            | 1,361            |

### **(d) Average Accommodations/Due to Customer Balances**

| <i>As at 31 December</i> | KMPs & CFMs      |                  |
|--------------------------|------------------|------------------|
|                          | 2016<br>LKR '000 | 2015<br>LKR '000 |
| Loans                    | 10,637           | 7,651            |
| Overdrafts               | 81               | 149              |
| Due to customers         | 31,223           | 20,412           |

## **55.3 Transactions with the Group Related Parties**

The Group related parties include the subsidiaries and associates of the Bank.

### **55.3.1 Transactions with Subsidiaries and Associate Companies of the Bank**

The aggregate amount of income and expenses arising from the transactions during the year and amount due to and due from the relevant related parties and total contract sum of off balance sheet transactions at the year end are summarised below:

#### **(a) Items in Statement of Profit or Loss**

| <i>For the year ended 31 December</i> | Subsidiary Companies |                  | Associate Companies |                  |
|---------------------------------------|----------------------|------------------|---------------------|------------------|
|                                       | 2016<br>LKR '000     | 2015<br>LKR '000 | 2016<br>LKR '000    | 2015<br>LKR '000 |
| Interest income                       | 116,196              | 55,021           | 15,503              | 15,291           |
| Interest expenses                     | 322,755              | 155,194          | 12,250              | 10,625           |
| Other income                          | 1,233,908            | 306,824          | 55,440              | 51,862           |
| Other expenses                        | 740,746              | 633,546          | 26,144              | 25,198           |

**(b) Items in Statement of Financial Position**

| As at 31 December                           | Subsidiary Companies |                  | Associate Companies |                  |
|---------------------------------------------|----------------------|------------------|---------------------|------------------|
|                                             | 2016<br>LKR '000     | 2015<br>LKR '000 | 2016<br>LKR '000    | 2015<br>LKR '000 |
| <b>Assets</b>                               |                      |                  |                     |                  |
| Loans                                       | 1,334,779            | 24,620           | 186,536             | 118,345          |
| Overdrafts                                  | 31,732               | -                | -                   | 2                |
| Investments in debts                        | 221,594              | 221,551          | -                   | -                |
| Placements                                  | 3,325,548            | 3,601,077        | -                   | -                |
| Other receivables                           | 825,436              | 897,344          | -                   | -                |
|                                             | 5,739,089            | 4,744,592        | 186,536             | 118,347          |
| <b>Liabilities</b>                          |                      |                  |                     |                  |
| Due to customers                            | 2,480,935            | 1,408,587        | 126,900             | 179,018          |
| Securities sold under repurchase agreements | 900,650              | 1,555,661        | 25,708              | 40,005           |
| Debentures                                  | 340,668              | 344,385          | -                   | -                |
| Other liabilities                           | 1,326                | 2,795            | -                   | 17               |
|                                             | 3,723,579            | 3,311,428        | 152,608             | 219,040          |

**(c) Off Balance Sheet Items**

| As at 31 December  | Subsidiary Companies |                  | Associate Companies |                  |
|--------------------|----------------------|------------------|---------------------|------------------|
|                    | 2016<br>LKR '000     | 2015<br>LKR '000 | 2016<br>LKR '000    | 2015<br>LKR '000 |
| Letters of credit  | 104                  | 38,714           | -                   | -                |
| Guarantees         | 66,382               | 65,325           | -                   | 500              |
| Undrawn facilities | 444,330              | 842,597          | 30,000              | 55,000           |
|                    | 510,816              | 946,636          | 30,000              | 55,500           |

**(d) Average Accommodations/Due To Customer Balances**

| As at 31 December | Subsidiary Companies |                  | Associate Companies |                  |
|-------------------|----------------------|------------------|---------------------|------------------|
|                   | 2016<br>LKR '000     | 2015<br>LKR '000 | 2016<br>LKR '000    | 2015<br>LKR '000 |
| Loans             | 1,066,196            | 42,335           | 123,221             | 131,500          |
| Overdrafts        | 75,178               | 28,826           | 7,801               | 220              |
| Due to customers  | 2,204,717            | 1,226,628        | 158,987             | 223,470          |

**55.3.2 Transactions with Subsidiaries and Associate Companies of the Group**

In addition to the transactions between the Bank and its subsidiaries and associate companies, transactions which were taken place between the subsidiaries and associate companies are also included in the section below:

**(a) Items in Statement of Profit or Loss**

| For the year ended 31 December | Subsidiary Companies |                  | Associate Companies |                  |
|--------------------------------|----------------------|------------------|---------------------|------------------|
|                                | 2016<br>LKR '000     | 2015<br>LKR '000 | 2016<br>LKR '000    | 2015<br>LKR '000 |
| Interest income                | 116,639              | 55,025           | 15,503              | 17,046           |
| Interest expenses              | 322,755              | 156,949          | 12,693              | 10,629           |
| Other income                   | 1,417,231            | 542,291          | 55,440              | 54,370           |
| Other expenses                 | 923,690              | 868,731          | 26,478              | 27,988           |

### **(b) Items in Statement of Financial Position**

| <i>As at 31 December</i>                    | Subsidiary Companies |                  | Associate Companies |                  |
|---------------------------------------------|----------------------|------------------|---------------------|------------------|
|                                             | 2016<br>LKR '000     | 2015<br>LKR '000 | 2016<br>LKR '000    | 2015<br>LKR '000 |
| <b>Assets</b>                               |                      |                  |                     |                  |
| Loans                                       | 1,334,779            | 24,620           | 186,536             | 118,345          |
| Overdrafts                                  | 31,732               | -                | -                   | 2                |
| Investments in debts                        | 221,594              | 221,551          | -                   | -                |
| Placements                                  | 3,325,548            | 3,601,077        | -                   | -                |
| Other receivables                           | 1,062,616            | 1,115,577        | -                   | -                |
|                                             | 5,976,269            | 4,962,825        | 186,536             | 118,347          |
| <b>Liabilities</b>                          |                      |                  |                     |                  |
| Due to customers                            | 2,480,935            | 1,408,587        | 140,936             | 179,018          |
| Securities sold under repurchase agreements | 900,650              | 1,555,661        | 25,708              | 40,005           |
| Debentures                                  | 340,668              | 344,385          | -                   | -                |
| Other liabilities                           | 252,542              | 221,297          | -                   | 17               |
|                                             | 3,974,795            | 3,529,930        | 166,644             | 219,040          |

### **(c) Off Balance Sheet Items**

| <i>As at 31 December</i> | Subsidiary Companies |                  | Associate Companies |                  |
|--------------------------|----------------------|------------------|---------------------|------------------|
|                          | 2016<br>LKR '000     | 2015<br>LKR '000 | 2016<br>LKR '000    | 2015<br>LKR '000 |
| Letters of credit        | 104                  | 38,714           | -                   | -                |
| Guarantees               | 66,382               | 65,325           | -                   | 500              |
| Undrawn facilities       | 444,330              | 842,597          | 30,000              | 55,000           |
|                          | 510,816              | 946,636          | 30,000              | 55,500           |

### **(d) Average Accommodations/Due To Customer Balances**

| <i>As at 31 December</i> | Subsidiary Companies |                  | Associate Companies |                  |
|--------------------------|----------------------|------------------|---------------------|------------------|
|                          | 2016<br>LKR '000     | 2015<br>LKR '000 | 2016<br>LKR '000    | 2015<br>LKR '000 |
| Loans                    | 1,066,196            | 42,335           | 123,221             | 131,500          |
| Overdrafts               | 75,178               | 29,095           | 7,801               | 220              |
| Due to customers         | 2,204,717            | 1,226,628        | 158,987             | 223,470          |

## 55.4 Transactions with the Significant Investors having Significant Influence Over the Bank and the Post Employment Benefit Plans for Bank's Employees

Significant investor of the Bank is the Government as it is a state owned entity. The Government refers to the Government of Sri Lanka, Government Corporations, Provincial Councils, Local Government bodies, other Government entities and their subsidiaries.

Post employment benefit plans are arrangements made by the Bank to provide post employment benefits for its employees.

Transactions and arrangements entered into by the Bank with the Government and Government controlled entities (significant investor) and post employment benefit plans which are individually significant and for other transactions that are collectively but not individually significant are as follows:

### 55.4.1 Transactions which are Collectively Significant

#### (a) Items in Statement of Profit or Loss

| For the year ended 31 December | Significant Investor |                  | Post Employment Benefit Plans |                  |
|--------------------------------|----------------------|------------------|-------------------------------|------------------|
|                                | 2016<br>LKR '000     | 2015<br>LKR '000 | 2016<br>LKR '000              | 2015<br>LKR '000 |
| Interest income                | 62,320,382           | 59,257,452       | –                             | –                |
| Other income                   | 620,014              | 1,233,270        | –                             | –                |
| Interest expenses              | 10,467,922           | 11,523,327       | 8,823,935                     | 5,312,011        |
| Dividends paid                 | 17,346,410           | 6,346,410        | –                             | –                |
| Contribution made              | –                    | –                | 973,518                       | 1,801,097        |

#### (b) Items in Statement of Financial Position

| As at 31 December                           | Significant Investor |                  | Post Employment Benefit Plans |                  |
|---------------------------------------------|----------------------|------------------|-------------------------------|------------------|
|                                             | 2016<br>LKR '000     | 2015<br>LKR '000 | 2016<br>LKR '000              | 2015<br>LKR '000 |
| <b>Assets</b>                               |                      |                  |                               |                  |
| Loans and advances                          | 324,329,198          | 320,702,006      | –                             | –                |
| Investment in securities and bonds          | 425,264,492          | 477,993,779      | –                             | –                |
| Investment in equity instruments            | 1,155,370            | 1,155,370        | –                             | –                |
|                                             | 750,749,060          | 799,851,155      | –                             | –                |
| <b>Liabilities</b>                          |                      |                  |                               |                  |
| Due to customers                            | 138,029,997          | 115,044,541      | 41,559,908                    | 34,346,832       |
| Securities sold under repurchase agreements | 51,712,660           | 58,538,571       | 4,134,000                     | 7,798,041        |
| Debentures                                  | 9,200,006            | 10,252,818       | 18,300,543                    | 19,021,236       |
|                                             | 198,942,663          | 183,835,930      | 63,994,451                    | 61,166,109       |

#### (c) Off Balance Sheet Items

| As at 31 December          | Significant Investor |                  |
|----------------------------|----------------------|------------------|
|                            | 2016<br>LKR '000     | 2015<br>LKR '000 |
| Letters of credit          | 68,964,283           | 68,730,612       |
| Bills and acceptances      | 28,764,217           | 26,704,317       |
| Guarantees                 | 9,064,702            | 19,646,065       |
| Forward exchange contracts | 82,390,000           | 79,234,265       |
|                            | 189,183,202          | 194,315,259      |

### **(d) Other Transactions**

| <i>As at 31 December</i>            | Significant Investor |                  |
|-------------------------------------|----------------------|------------------|
|                                     | 2016<br>LKR '000     | 2015<br>LKR '000 |
| Gross foreign exchange transactions |                      |                  |
| – Sales                             | 376,943,911          | 212,794,526      |
| – Purchases                         | 373,415,579          | 208,847,126      |

### **(e) Average Accommodations/Due to Customer Balances**

| <i>As at 31 December</i>     | Significant Investor |                  | Post Employment Benefit Plans |                  |
|------------------------------|----------------------|------------------|-------------------------------|------------------|
|                              | 2016<br>LKR '000     | 2015<br>LKR '000 | 2016<br>LKR '000              | 2015<br>LKR '000 |
| Loans and advances           | 262,164,808          | 338,552,931      | –                             | –                |
| Due to customers             | 106,241,117          | 94,537,896       | 32,039,996                    | 30,227,015       |
| Off balance sheet facilities | 191,749,231          | 197,992,622      | –                             | –                |

### **55.4.2 Transactions which are Individually Significant**

The Bank uses internal assessment methodology in order to identify significance of the transactions with the Government and Government related entities. Accordingly, the transactions which have been considered in normal day-to-day business operations which are carried on normal market conditions are considered as individually significant transactions.

During the year, the Bank received LKR 5,000 million from the Government of Sri Lanka, the second and final phase of the total amount of of LKR 10,000 million allocated to the Bank under the National Budget 2015.

### **55.4.3 Transactions with the Significant Investor – Group**

Other than the transactions carried out by the Bank and balances held by the Bank with the Government, subsidiaries of the Group have carried out following transactions with the Government and balances held with the Government as follows:

| <i>As at 31 December</i>                       | Significant Investor |                  |
|------------------------------------------------|----------------------|------------------|
|                                                | 2016<br>LKR '000     | 2015<br>LKR '000 |
| Investment in securities and bonds             | 3,122,690            | 2,781,412        |
| Nostro balance with Central Bank of Sri Lanka  | 168,917              | 196,018          |
| Income from investment in securities and bonds | 195,339              | 208,669          |

Apart from the transactions listed above, the Group carried out transactions with the Government of Sri Lanka and other Government related entities in the form of providing services, investments in shares for trading purpose and other financial service transactions, including inter bank placements during the year ended 31 December 2016 on comparable terms, which are applicable to transactions between the Group and its unrelated customers.

## 56. Financial Reporting by Segment

Segmental information is presented in respect of Group business distinguishing the component of the Group that is engaged in different business segments or operations within a particular economic environment, which is subject to risk and returns that are different from those of other segments.

### 56.1 Primary Segment Information – Operating Segments – Group

'An operating segment is a component of the Group that engages in business activities, from which it may earn revenues and incur expenses, including revenues and expenses that relating to transactions with any of the Group's other components, whose operating results are reviewed by the management to make decisions about resource allocation to each segment and assess its performances. The Group comprises the following major business segments: Retail banking, Corporate banking, International, Treasury and Investments, other non-banking and Group functions'.

The management monitors the operating results of its business segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performances are evaluated based on their operating profits or losses. VAT, NBT and Income Tax are managed on a Group basis and are not allocated to operating segments.

| For the year ended 31 December                               | Retail Banking      |                     | Corporate Banking  |                    |
|--------------------------------------------------------------|---------------------|---------------------|--------------------|--------------------|
|                                                              | 2016<br>LKR '000    | 2015<br>LKR '000    | 2016<br>LKR '000   | 2015<br>LKR '000   |
| <b>Revenue from External Customers:</b>                      |                     |                     |                    |                    |
| Net interest income                                          | 25,759,855          | 22,387,946          | 10,936,983         | 11,056,885         |
| Net fee and commission income                                | 3,106,885           | 3,351,876           | 2,690,661          | 3,108,889          |
| Other income                                                 | 2,119,051           | 2,266,332           | 439,410            | 2,067,980          |
| <b>Total operating income</b>                                | <b>30,985,791</b>   | <b>28,006,154</b>   | <b>14,067,054</b>  | <b>16,233,754</b>  |
| Impairment (charge)/reversal for loans and other losses      | (179,231)           | (2,953,286)         | (4,172,581)        | (2,867,378)        |
| Other operating expenses                                     | (18,876,104)        | (19,195,165)        | (5,644,963)        | (4,173,311)        |
| <b>Total expenses</b>                                        | <b>(19,055,335)</b> | <b>(22,148,451)</b> | <b>(9,817,544)</b> | <b>(7,040,689)</b> |
| <b>Operating profit before VAT and NBT</b>                   | <b>11,930,456</b>   | <b>5,857,703</b>    | <b>4,249,510</b>   | <b>9,193,065</b>   |
| VAT and NBT on financial services                            | -                   | -                   | -                  | -                  |
| <b>Operating profit after VAT and NBT</b>                    |                     |                     |                    |                    |
| Share of profits/(losses) of associate companies, net of tax | -                   | -                   | -                  | -                  |
| <b>Profit/ (loss) before income tax</b>                      | <b>11,930,456</b>   | <b>5,857,703</b>    | <b>4,249,510</b>   | <b>9,193,065</b>   |
| Income tax expense                                           | -                   | -                   | -                  | -                  |
| <b>Profit for the Year</b>                                   |                     |                     |                    |                    |
| <b>Total assets</b>                                          | <b>571,620,284</b>  | <b>478,085,347</b>  | <b>509,159,945</b> | <b>429,748,985</b> |
| <b>Total liabilities</b>                                     | <b>539,825,526</b>  | <b>453,245,149</b>  | <b>480,839,366</b> | <b>407,420,231</b> |
| Cash flows from/(used in) operating activities               | (9,045,387)         | 58,709,257          | (3,840,442)        | 28,995,134         |
| Cash flows from/(used in) investing activities               | (843,790)           | (523,228)           | (751,590)          | (470,328)          |
| Cash flows from/(used in) financing activities               | (23,972,659)        | 5,872,608           | (21,353,192)       | 5,278,864          |
| Capital expenditure to non-current assets                    | -                   | -                   | -                  | -                  |
| Depreciation and amortisation expenses                       | 497,622             | 423,959             | 443,248            | 381,095            |

Being the major customer of the Bank, 'Government and State-Owned Enterprises (SOEs)' represents 16% of revenue of the Bank's, (2015 – 19%) and included under Retail and Corporate segments. More details are given in Note 55 – 'Related Party Disclosures'.

| International, Treasury and Investment |                    | Group Function     |                    | Unallocated        |                   | Total                |                      |
|----------------------------------------|--------------------|--------------------|--------------------|--------------------|-------------------|----------------------|----------------------|
| 2016<br>LKR '000                       | 2015<br>LKR '000   | 2016<br>LKR '000   | 2015<br>LKR '000   | 2016<br>LKR '000   | 2015<br>LKR '000  | 2016<br>LKR '000     | 2015<br>LKR '000     |
| 18,242,730                             | 12,933,938         | 2,646,753          | 2,376,914          | (979,829)          | (53,198)          | 56,606,492           | 48,702,485           |
| 854,021                                | 816,961            | 156,377            | 243,540            | 567,868            | 560,624           | 7,375,812            | 8,081,890            |
| 7,834,266                              | 5,032,548          | 2,869,873          | 3,028,978          | (2,246,027)        | (753,852)         | 11,016,573           | 11,641,986           |
| <b>26,931,017</b>                      | <b>18,783,447</b>  | <b>5,673,003</b>   | <b>5,649,432</b>   | <b>(2,657,988)</b> | <b>(246,426)</b>  | <b>74,998,877</b>    | <b>68,426,361</b>    |
| -                                      | -                  | (24,239)           | (462,151)          | (44,949)           | (83,139)          | (4,421,000)          | (6,365,954)          |
| (5,582,410)                            | (5,010,554)        | (4,494,198)        | (4,468,631)        | 450,557            | 1,043,276         | (34,147,118)         | (31,804,385)         |
| <b>(5,582,410)</b>                     | <b>(5,010,554)</b> | <b>(4,518,437)</b> | <b>(4,930,782)</b> | <b>405,608</b>     | <b>960,137</b>    | <b>(38,568,118)</b>  | <b>(38,170,339)</b>  |
| <b>21,348,607</b>                      | <b>13,772,893</b>  | <b>1,154,566</b>   | <b>718,650</b>     | <b>(2,252,380)</b> | <b>713,711</b>    | <b>36,430,759</b>    | <b>30,256,022</b>    |
| -                                      | -                  | -                  | -                  | -                  | -                 | (6,376,679)          | (4,872,944)          |
| -                                      | -                  | -                  | -                  | <b>(2,252,380)</b> | -                 | <b>30,054,080</b>    | <b>25,383,078</b>    |
| -                                      | -                  | 62,952             | 93,590             | -                  | -                 | 62,952               | 93,590               |
| <b>21,348,607</b>                      | <b>13,772,893</b>  | <b>1,217,518</b>   | <b>812,240</b>     | <b>(2,252,380)</b> | <b>713,711</b>    | <b>30,117,032</b>    | <b>25,476,668</b>    |
| -                                      | -                  | -                  | -                  | -                  | -                 | (6,731,105)          | (8,089,281)          |
| -                                      | -                  | -                  | -                  | -                  | -                 | 23,385,927           | 17,387,387           |
| <b>521,697,826</b>                     | <b>599,586,745</b> | <b>66,709,365</b>  | <b>63,961,962</b>  | <b>47,369,281</b>  | <b>38,816,281</b> | <b>1,716,556,701</b> | <b>1,610,199,320</b> |
| <b>492,679,863</b>                     | <b>568,433,618</b> | <b>55,603,568</b>  | <b>51,559,499</b>  | <b>44,253,642</b>  | <b>36,466,610</b> | <b>1,613,201,965</b> | <b>1,517,125,107</b> |
| (6,405,803)                            | 33,917,443         | (929,388)          | 6,233,124          | 344,060            | (139,505)         | (19,876,960)         | 127,715,453          |
| 83,372,062                             | (101,196,615)      | (98,472)           | (70,002)           | (69,923)           | (42,481)          | 81,608,287           | (102,302,654)        |
| (21,879,007)                           | 7,365,083          | (2,469,252)        | 668,046            | (1,965,224)        | 472,491           | (71,639,334)         | 19,657,092           |
| -                                      | -                  | -                  | -                  | -                  | -                 | 2,597,824            | 1,776,935            |
| 454,162                                | 531,705            | 247,202            | 237,601            | 357,669            | 310,702           | 1,999,903            | 1,885,062            |

## 56.2 Secondary Segment Information – Geographical Segments

Geographical segments provide products or services within a particular economic environment where risk and returns are different from those of other economic environments.

These segment comprise domestic operations, offshore banking division and overseas banking units.

|                                | Bank                 |              |                      |              | Group                |              |                      |              |
|--------------------------------|----------------------|--------------|----------------------|--------------|----------------------|--------------|----------------------|--------------|
|                                | 2016<br>LKR '000     | %            | 2015<br>LKR '000     | %            | 2016<br>LKR '000     | %            | 2015<br>LKR '000     | %            |
| <b>Assets</b>                  |                      |              |                      |              |                      |              |                      |              |
| Domestic banking unit          | 1,376,413,525        | 82.5         | 1,236,088,152        | 78.8         | 1,423,678,953        | 83.0         | 1,251,143,670        | 77.7         |
| Offshore banking division      | 254,548,971          | 15.2         | 304,044,704          | 19.4         | 254,548,970          | 14.8         | 304,044,704          | 18.9         |
| Overseas banking units         | 38,328,778           | 2.3          | 28,155,844           | 1.8          | 38,328,778           | 2.2          | 55,010,946           | 3.4          |
| <b>Total assets</b>            | <b>1,669,291,274</b> | <b>100.0</b> | <b>1,568,288,700</b> | <b>100.0</b> | <b>1,716,556,701</b> | <b>100.0</b> | <b>1,610,199,320</b> | <b>100.0</b> |
| <b>Total Income</b>            |                      |              |                      |              |                      |              |                      |              |
| Domestic banking unit          | 134,711,699          | 87.4         | 113,341,534          | 86.2         | 140,291,552          | 87.9         | 119,449,627          | 86.6         |
| Offshore banking division      | 14,765,257           | 9.6          | 14,708,134           | 11.2         | 14,765,257           | 9.2          | 14,708,134           | 10.6         |
| Overseas banking units         | 4,644,416            | 3.0          | 3,452,141            | 2.6          | 4,644,416            | 2.9          | 3,826,589            | 2.8          |
| <b>Total income</b>            | <b>154,121,372</b>   | <b>100.0</b> | <b>131,501,809</b>   | <b>100.0</b> | <b>159,701,225</b>   | <b>100.0</b> | <b>137,984,350</b>   | <b>100.0</b> |
| <b>Profit Before Tax</b>       |                      |              |                      |              |                      |              |                      |              |
| Domestic banking unit          | 27,598,676           | 88.5         | 20,866,197           | 82.5         | 26,527,023           | 88.0         | 21,128,880           | 83.0         |
| Offshore banking division      | (223,917)            | (0.7)        | 2,478,919            | 9.8          | (223,917)            | (0.7)        | 2,478,919            | 9.7          |
| Overseas banking units         | 3,813,926            | 12.2         | 1,933,799            | 7.7          | 3,813,926            | 12.7         | 1,868,869            | 7.3          |
| <b>Total profit before tax</b> | <b>31,188,685</b>    | <b>100.0</b> | <b>25,278,915</b>    | <b>100.0</b> | <b>30,117,032</b>    | <b>100.0</b> | <b>25,476,668</b>    | <b>100.0</b> |
| <b>Profit After Tax</b>        |                      |              |                      |              |                      |              |                      |              |
| Domestic banking unit          | 22,048,818           | 88.9         | 14,284,168           | 82.3         | 20,643,749           | 88.3         | 14,379,047           | 82.7         |
| Offshore banking division      | (223,917)            | (0.9)        | 1,784,822            | 10.3         | (223,917)            | (1.0)        | 1,784,822            | 10.3         |
| Overseas banking units         | 2,966,095            | 12.0         | 1,288,448            | 7.4          | 2,966,095            | 12.7         | 1,223,518            | 7.0          |
| <b>Total profit after tax</b>  | <b>24,790,996</b>    | <b>100.0</b> | <b>17,357,438</b>    | <b>100.0</b> | <b>23,385,927</b>    | <b>100.0</b> | <b>17,387,387</b>    | <b>100.0</b> |

## 57. Fair Values of Assets and Liabilities

### Accounting Policy →

'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.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

All assets and liabilities for which fair value is measured or disclosed in the Financial Statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

**Level 1** – Valuation technique using quoted market price:

Financial instruments with quoted prices for identical instruments in active markets.



**Level 2 – Valuation technique using observable inputs:**

Financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.

**Level 3 – Valuation technique with significant unobservable inputs:**

Financial instruments valued using valuation techniques where one or more significant inputs are unobservable.

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.

## **57.1 Assets and Liabilities Measured at Fair Value**

### **Derivative Financial Instruments**

All Derivative financial instruments are classified as held for trading are valued using a valuation technique with market observable and market unobservable inputs. The most frequently applied valuation technique include forward foreign exchange spot and forward premiums.

### **Financial Instruments Held for Trading**

Financial instruments classified as held for trading consists Government securities, Quoted debt securities and Quoted equities. Government securities are valued using yield curve published by the Central Bank of Sri Lanka and the Bank uses quoted market prices in the active market for the valuation of quoted equities and quoted debt securities as at the Reporting date.

### **Financial Investments – Available for Sale**

Financial investments classified as available for sale consists Government securities, Quoted equities Unquoted equities and Units in units trusts.

- Government securities are valued using yield curve published by the Central Bank of Sri Lanka as at the Reporting date.
- The Bank uses quoted market prices in the active market for the valuation of quoted equities and quoted debt securities as at the Reporting date.
- Unquoted equities are carried at cost except Regional Development Bank investment in shares since it is the most reasonable value available to represents the price of such securities. Fair value of Regional Development Bank derived using an internal management valuation technique which details are given in Note 57.1.3.
- Units in units trusts are valued using management buying price of such asset management company since it is the most relevant exit price of such assets.

### **Property, Plant and Equipment**

Free hold lands and buildings and buildings on leasehold lands are carried at revalued amount less any subsequent accumulated depreciation and impairment losses.

**57.1.1 Fair Value Hierarchy**

| As at 31 December 2016                            | Bank                |                     |                     |                   | Group               |                     |                     |                   |
|---------------------------------------------------|---------------------|---------------------|---------------------|-------------------|---------------------|---------------------|---------------------|-------------------|
|                                                   | Level 1<br>LKR '000 | Level 2<br>LKR '000 | Level 3<br>LKR '000 | Total<br>LKR '000 | Level 1<br>LKR '000 | Level 2<br>LKR '000 | Level 3<br>LKR '000 | Total<br>LKR '000 |
| <b>Financial Assets</b>                           |                     |                     |                     |                   |                     |                     |                     |                   |
| <b>Derivative Financial Instruments</b>           |                     |                     |                     |                   |                     |                     |                     |                   |
| Forward exchange contracts                        | -                   | 9,063               | -                   | 9,063             | -                   | 9,063               | -                   | 9,063             |
| Currency SWAPs                                    | -                   | -                   | 5,291,781           | 5,291,781         | -                   | -                   | 5,291,781           | 5,291,781         |
|                                                   | -                   | 9,063               | 5,291,781           | 5,300,844         | -                   | 9,063               | 5,291,781           | 5,300,844         |
| <b>Financial Instruments – Held for Trading</b>   |                     |                     |                     |                   |                     |                     |                     |                   |
| Treasury bills                                    | 4,538,007           | -                   | -                   | 4,538,007         | 4,538,007           | -                   | -                   | 4,538,007         |
| Treasury bonds                                    | 679,650             | 1,789               | -                   | 681,439           | 679,650             | 1,789               | -                   | 681,439           |
| Sri Lanka sovereign bonds                         | 156,142             | -                   | -                   | 156,142           | 156,142             | -                   | -                   | 156,142           |
| Quoted equities                                   | 3,098,453           | -                   | -                   | 3,098,453         | 3,426,824           | -                   | -                   | 3,426,824         |
| Other debt securities                             | -                   | -                   | -                   | -                 | 2,235               | -                   | -                   | 2,235             |
|                                                   | 8,472,252           | 1,789               | -                   | 8,474,041         | 8,802,858           | 1,789               | -                   | 8,804,647         |
| <b>Financial Investments – Available for Sale</b> |                     |                     |                     |                   |                     |                     |                     |                   |
| <b>Quoted Investments</b>                         |                     |                     |                     |                   |                     |                     |                     |                   |
| <b>Government Securities</b>                      |                     |                     |                     |                   |                     |                     |                     |                   |
| Treasury bills                                    | -                   | -                   | -                   | -                 | 2,320,821           | -                   | -                   | 2,320,821         |
| Treasury bonds                                    | 431,247             | 3,228               | -                   | 434,475           | 1,161,743           | 3,228               | -                   | 1,164,971         |
| Other countries                                   | 1,627,319           | -                   | -                   | 1,627,319         | 2,915,692           | -                   | -                   | 2,915,692         |
| Equities                                          | 3,938,737           | -                   | -                   | 3,938,737         | 5,325,122           | -                   | -                   | 5,325,122         |
| <b>Unquoted Investments</b>                       |                     |                     |                     |                   |                     |                     |                     |                   |
| Units in unit trusts                              | -                   | 3,764,963           | -                   | 3,764,963         | -                   | 3,798,173           | -                   | 3,798,173         |
| Equities                                          | -                   | 469,835             | 227,717             | 697,552           | -                   | 469,835             | 269,027             | 738,862           |
|                                                   | 5,997,303           | 4,238,026           | 227,717             | 10,463,046        | 11,723,378          | 4,271,236           | 269,027             | 16,263,641        |
| <b>Total financial assets</b>                     | <b>14,469,555</b>   | <b>4,248,878</b>    | <b>5,519,498</b>    | <b>24,237,931</b> | <b>20,526,236</b>   | <b>4,282,088</b>    | <b>5,560,808</b>    | <b>30,369,132</b> |
| <b>Non Financial Assets</b>                       |                     |                     |                     |                   |                     |                     |                     |                   |
| Property, Plant and Equipment                     | -                   | -                   | 11,219,722          | 11,219,722        | -                   | -                   | 24,164,115          | 24,164,115        |
|                                                   | -                   | -                   | 11,219,722          | 11,219,722        | -                   | -                   | 24,164,115          | 24,164,115        |
| <b>Total</b>                                      | <b>14,469,555</b>   | <b>4,248,878</b>    | <b>16,739,220</b>   | <b>35,457,653</b> | <b>20,526,236</b>   | <b>4,282,088</b>    | <b>29,724,923</b>   | <b>54,533,247</b> |
| <b>Financial Liabilities</b>                      |                     |                     |                     |                   |                     |                     |                     |                   |
| <b>Derivative Financial Instruments</b>           |                     |                     |                     |                   |                     |                     |                     |                   |
| Forward exchange contracts                        | -                   | 8,210               | -                   | 8,210             | -                   | 8,210               | -                   | 8,210             |
| Currency SWAPs                                    | -                   | -                   | 163,453             | 163,453           | -                   | -                   | 163,453             | 163,453           |
| <b>Total</b>                                      | <b>-</b>            | <b>8,210</b>        | <b>163,453</b>      | <b>171,663</b>    | <b>-</b>            | <b>8,210</b>        | <b>163,453</b>      | <b>171,663</b>    |

| As at 31 December 2015                            | Bank                |                     |                     |                   | Group               |                     |                     |                   |
|---------------------------------------------------|---------------------|---------------------|---------------------|-------------------|---------------------|---------------------|---------------------|-------------------|
|                                                   | Level 1<br>LKR '000 | Level 2<br>LKR '000 | Level 3<br>LKR '000 | Total<br>LKR '000 | Level 1<br>LKR '000 | Level 2<br>LKR '000 | Level 3<br>LKR '000 | Total<br>LKR '000 |
| <b>Financial Assets</b>                           |                     |                     |                     |                   |                     |                     |                     |                   |
| <b>Derivative Financial Instruments</b>           |                     |                     |                     |                   |                     |                     |                     |                   |
| Forward exchange contracts                        | -                   | 33,318              | -                   | 33,318            | -                   | 33,318              | -                   | 33,318            |
| Currency SWAPs                                    | -                   | -                   | 7,385,970           | 7,385,970         | -                   | -                   | 7,385,970           | 7,385,970         |
|                                                   | -                   | 33,318              | 7,385,970           | 7,419,288         | -                   | 33,318              | 7,385,970           | 7,419,288         |
| <b>Financial Instruments – Held for Trading</b>   |                     |                     |                     |                   |                     |                     |                     |                   |
| Treasury bills                                    | 7,298,725           | -                   | -                   | 7,298,725         | 7,298,725           | -                   | -                   | 7,298,725         |
| Treasury bonds                                    | 946,502             | 630                 | -                   | 947,132           | 946,502             | 630                 | -                   | 947,132           |
| Sri Lanka sovereign bonds                         | 141,502             | -                   | -                   | 141,502           | 141,502             | -                   | -                   | 141,502           |
| Quoted equities                                   | 3,785,945           | -                   | -                   | 3,785,945         | 4,336,272           | -                   | -                   | 4,336,272         |
| Other debt securities                             | -                   | -                   | -                   | -                 | 2,414               | -                   | -                   | 2,414             |
|                                                   | 12,172,674          | 630                 | -                   | 12,173,304        | 12,725,415          | 630                 | -                   | 12,726,045        |
| <b>Financial Investments – Available for Sale</b> |                     |                     |                     |                   |                     |                     |                     |                   |
| <b>Quoted Investments</b>                         |                     |                     |                     |                   |                     |                     |                     |                   |
| Government Securities                             |                     |                     |                     |                   |                     |                     |                     |                   |
| Treasury bills                                    | 467,734             | -                   | -                   | 467,734           | 1,826,836           | -                   | -                   | 1,826,836         |
| Treasury bonds                                    | 625,898             | 375,475             | -                   | 1,001,373         | 1,346,993           | 375,475             | -                   | 1,722,468         |
| Other countries                                   | 1,143,583           | -                   | -                   | 1,143,583         | 1,972,336           | -                   | -                   | 1,972,336         |
| Equities                                          | 4,683,444           | -                   | -                   | 4,683,444         | 5,969,583           | -                   | -                   | 5,969,583         |
| <b>Unquoted Investments</b>                       |                     |                     |                     |                   |                     |                     |                     |                   |
| Units in unit trusts                              | -                   | 4,059,644           | -                   | 4,059,644         | -                   | 4,068,328           | -                   | 4,068,328         |
| Equities                                          | -                   | 438,074             | 227,717             | 665,791           | -                   | 438,074             | 269,027             | 707,101           |
|                                                   | 6,920,659           | 4,873,193           | 227,717             | 12,021,569        | 11,115,748          | 4,881,877           | 269,027             | 16,266,652        |
| <b>Total financial assets</b>                     | <b>19,093,333</b>   | <b>4,907,141</b>    | <b>7,613,687</b>    | <b>31,614,161</b> | <b>23,841,163</b>   | <b>4,915,825</b>    | <b>7,654,997</b>    | <b>36,411,985</b> |
| <b>Non Financial Assets</b>                       |                     |                     |                     |                   |                     |                     |                     |                   |
| Property, Plant and Equipment                     | -                   | -                   | 12,625,762          | 12,625,762        | -                   | -                   | 22,023,125          | 22,023,125        |
|                                                   | -                   | -                   | 12,625,762          | 12,625,762        | -                   | -                   | 22,023,125          | 22,023,125        |
| <b>Total</b>                                      | <b>19,093,333</b>   | <b>4,907,141</b>    | <b>20,239,449</b>   | <b>44,239,923</b> | <b>23,841,163</b>   | <b>4,915,825</b>    | <b>29,678,122</b>   | <b>58,435,110</b> |
| <b>Financial Liabilities</b>                      |                     |                     |                     |                   |                     |                     |                     |                   |
| <b>Derivative Financial Instruments</b>           |                     |                     |                     |                   |                     |                     |                     |                   |
| Forward exchange contracts                        | -                   | 11,406              | -                   | 11,406            | -                   | 11,406              | -                   | 11,406            |
| Currency SWAPs                                    | -                   | -                   | 144,896             | 144,896           | -                   | -                   | 144,896             | 144,896           |
| <b>Total</b>                                      | <b>-</b>            | <b>11,406</b>       | <b>144,896</b>      | <b>156,302</b>    | <b>-</b>            | <b>11,406</b>       | <b>144,896</b>      | <b>156,302</b>    |

**57.1.2 Movements in Level 3 Assets Measured at Fair Value**

The following table shows a reconciliation of the opening and closing amounts of level 3 assets and liabilities which are recorded at fair value:

|                                                   | Bank                       |                                                           |                                                |                                                   |                              | Group                      |                                                           |                                                |                                                   |                              |
|---------------------------------------------------|----------------------------|-----------------------------------------------------------|------------------------------------------------|---------------------------------------------------|------------------------------|----------------------------|-----------------------------------------------------------|------------------------------------------------|---------------------------------------------------|------------------------------|
|                                                   | As at<br>1 January<br>2016 | Total Gains/<br>(Losses)<br>Recorded in<br>Profit or Loss | Total Gains/<br>(Losses)<br>Recorded<br>in OCI | Purchases/<br>(Sales)<br>and Other<br>Adjustments | As at<br>31 December<br>2016 | As at<br>1 January<br>2016 | Total Gains/<br>(Losses)<br>Recorded in<br>Profit or Loss | Total Gains/<br>(Losses)<br>Recorded<br>in OCI | Purchases/<br>(Sales)<br>and Other<br>Adjustments | As at<br>31 December<br>2016 |
|                                                   | LKR '000                   | LKR '000                                                  | LKR '000                                       | LKR '000                                          | LKR '000                     | LKR '000                   | LKR '000                                                  | LKR '000                                       | LKR '000                                          | LKR '000                     |
| <b>Financial Assets</b>                           |                            |                                                           |                                                |                                                   |                              |                            |                                                           |                                                |                                                   |                              |
| <b>Derivative Financial Instruments</b>           |                            |                                                           |                                                |                                                   |                              |                            |                                                           |                                                |                                                   |                              |
| Currency SWAPs                                    | 7,385,970                  | -                                                         | -                                              | (2,094,189)                                       | 5,291,781                    | 7,385,970                  | -                                                         | -                                              | (2,094,189)                                       | 5,291,781                    |
| <b>Financial Investments – Available for Sale</b> |                            |                                                           |                                                |                                                   |                              |                            |                                                           |                                                |                                                   |                              |
| <b>Unquoted Investments</b>                       |                            |                                                           |                                                |                                                   |                              |                            |                                                           |                                                |                                                   |                              |
| Equities                                          | 227,717                    | -                                                         | -                                              | -                                                 | 227,717                      | 269,027                    | -                                                         | -                                              | -                                                 | 269,027                      |
| <b>Total Level 3 financial assets</b>             | <b>7,613,687</b>           | <b>-</b>                                                  | <b>-</b>                                       | <b>(2,094,189)</b>                                | <b>5,519,498</b>             | <b>7,654,997</b>           | <b>-</b>                                                  | <b>-</b>                                       | <b>(2,094,189)</b>                                | <b>5,560,808</b>             |
| <b>Non-Financial Assets</b>                       |                            |                                                           |                                                |                                                   |                              |                            |                                                           |                                                |                                                   |                              |
| Property, Plant and Equipment                     | 12,625,762                 | (234,243)                                                 | 1,394,640                                      | (2,566,437)                                       | 11,219,722                   | 22,023,125                 | (603,183)                                                 | 2,307,452                                      | 436,721                                           | 24,164,115                   |
| <b>Total Level 3 assets</b>                       | <b>20,239,449</b>          | <b>(234,243)</b>                                          | <b>1,394,640</b>                               | <b>(4,660,626)</b>                                | <b>16,739,220</b>            | <b>29,678,122</b>          | <b>(603,183)</b>                                          | <b>2,307,452</b>                               | <b>(1,657,468)</b>                                | <b>29,724,923</b>            |
| <b>Financial Liabilities</b>                      |                            |                                                           |                                                |                                                   |                              |                            |                                                           |                                                |                                                   |                              |
| Currency SWAPs                                    | 144,896                    | -                                                         | -                                              | 18,557                                            | 163,453                      | 144,896                    | -                                                         | -                                              | 18,557                                            | 163,453                      |
| <b>Total Level 3 financial liabilities</b>        | <b>144,896</b>             | <b>-</b>                                                  | <b>-</b>                                       | <b>18,557</b>                                     | <b>163,453</b>               | <b>144,896</b>             | <b>-</b>                                                  | <b>-</b>                                       | <b>18,557</b>                                     | <b>163,453</b>               |
| <b>Net Level 3 financial assets</b>               | <b>7,468,791</b>           | <b>-</b>                                                  | <b>-</b>                                       | <b>(2,112,746)</b>                                | <b>5,356,045</b>             | <b>7,510,101</b>           | <b>-</b>                                                  | <b>-</b>                                       | <b>(2,112,746)</b>                                | <b>5,397,355</b>             |

The following table shows a reconciliation of the opening and closing amounts of level 3 assets and liabilities which are recorded at fair value:

|                                                   | Bank                       |                                                           |                                                |                                                   |                              | Group                      |                                                           |                                                |                                                   |                              |
|---------------------------------------------------|----------------------------|-----------------------------------------------------------|------------------------------------------------|---------------------------------------------------|------------------------------|----------------------------|-----------------------------------------------------------|------------------------------------------------|---------------------------------------------------|------------------------------|
|                                                   | As at<br>1 January<br>2015 | Total Gains/<br>(Losses)<br>Recorded in<br>Profit or Loss | Total Gains/<br>(Losses)<br>Recorded<br>in OCI | Purchases/<br>(Sales)<br>and Other<br>Adjustments | As at<br>31 December<br>2015 | As at<br>1 January<br>2015 | Total Gains/<br>(Losses)<br>Recorded in<br>Profit or Loss | Total Gains/<br>(Losses)<br>Recorded<br>in OCI | Purchases/<br>(Sales)<br>and Other<br>Adjustments | As at<br>31 December<br>2015 |
|                                                   | LKR '000                   | LKR '000                                                  | LKR '000                                       | LKR '000                                          | LKR '000                     | LKR '000                   | LKR '000                                                  | LKR '000                                       | LKR '000                                          | LKR '000                     |
| <b>Financial assets</b>                           |                            |                                                           |                                                |                                                   |                              |                            |                                                           |                                                |                                                   |                              |
| <b>Derivative Financial Instruments</b>           |                            |                                                           |                                                |                                                   |                              |                            |                                                           |                                                |                                                   |                              |
| Currency SWAPs                                    | 1,489,402                  | -                                                         | -                                              | 5,896,568                                         | 7,385,970                    | 1,489,402                  | -                                                         | -                                              | 5,896,568                                         | 7,385,970                    |
| <b>Financial Investments – Available for Sale</b> |                            |                                                           |                                                |                                                   |                              |                            |                                                           |                                                |                                                   |                              |
| <b>Unquoted Investments</b>                       |                            |                                                           |                                                |                                                   |                              |                            |                                                           |                                                |                                                   |                              |
| Equities                                          | 227,717                    | -                                                         | -                                              | -                                                 | 227,717                      | 248,285                    | -                                                         | 242                                            | 20,500                                            | 269,027                      |
| <b>Total Level 3 financial assets</b>             | <b>1,717,119</b>           | <b>-</b>                                                  | <b>-</b>                                       | <b>5,896,568</b>                                  | <b>7,613,687</b>             | <b>1,737,687</b>           | <b>-</b>                                                  | <b>242</b>                                     | <b>5,917,068</b>                                  | <b>7,654,997</b>             |
| <b>Non-Financial Assets</b>                       |                            |                                                           |                                                |                                                   |                              |                            |                                                           |                                                |                                                   |                              |
| Property, Plant and Equipment                     | 12,563,558                 | (232,598)                                                 | 8,169                                          | 286,633                                           | 12,625,762                   | 21,389,538                 | (232,598)                                                 | 933,459                                        | (67,274)                                          | 22,023,125                   |
| <b>Total Level 3 assets</b>                       | <b>14,280,677</b>          | <b>(232,598)</b>                                          | <b>8,169</b>                                   | <b>6,183,201</b>                                  | <b>20,239,449</b>            | <b>23,127,225</b>          | <b>(232,598)</b>                                          | <b>933,701</b>                                 | <b>5,849,794</b>                                  | <b>29,678,122</b>            |
| <b>Financial Liabilities</b>                      |                            |                                                           |                                                |                                                   |                              |                            |                                                           |                                                |                                                   |                              |
| Currency SWAPs                                    | -                          | -                                                         | -                                              | 144,896                                           | 144,896                      | -                          | -                                                         | -                                              | 144,896                                           | 144,896                      |
| <b>Total Level 3 financial liabilities</b>        | <b>-</b>                   | <b>-</b>                                                  | <b>-</b>                                       | <b>144,896</b>                                    | <b>144,896</b>               | <b>-</b>                   | <b>-</b>                                                  | <b>-</b>                                       | <b>144,896</b>                                    | <b>144,896</b>               |
| <b>Net Level 3 financial assets</b>               | <b>1,717,119</b>           | <b>-</b>                                                  | <b>-</b>                                       | <b>5,751,672</b>                                  | <b>7,468,791</b>             | <b>1,737,687</b>           | <b>-</b>                                                  | <b>242</b>                                     | <b>5,772,172</b>                                  | <b>7,510,101</b>             |

### 57.1.3 Unobservable Inputs Used in Measuring Fair Value of Level 3

The table below sets out information about significant unobservable inputs used as at 31 December 2016 in measuring financial instruments categorised as level 3 in the fair value hierarchy:

| Type of Financial Instrument                                             | Fair Value As at 31 December 2016 LKR '000 | Valuation Technique         | Significant Unobservable Input                                               | Range of Estimates (Weighted Average) for unobservable Input      | Fair Value Measurement Sensitivity to Unobservable Input                                                                                                                                                                      |
|--------------------------------------------------------------------------|--------------------------------------------|-----------------------------|------------------------------------------------------------------------------|-------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Derivative Financial Instruments</b>                                  |                                            |                             |                                                                              |                                                                   |                                                                                                                                                                                                                               |
| Currency SWAPs                                                           | 5,291,781                                  | Forward pricing model       | Foreign exchange forward rate.<br><br>Discount for counterparty credit risk. | Negative 0.01 to positive 0.01 basis point.                       | Unfavourable or favourable impact on derivative assets value of LKR 5.3 million respectively.                                                                                                                                 |
| <b>Financial Investments – Available for Sale Unquoted Equity Shares</b> |                                            |                             |                                                                              |                                                                   |                                                                                                                                                                                                                               |
| Regional Development Bank                                                | 162,300                                    | Discounted Cash Flow method | Constant Dividend model                                                      | Decreased by 5% and increased by 5% for existing cost of capital. | Impact to the fair value will be within negative and positive LKR 8.1 million no significant impact to the investment.                                                                                                        |
| Credit Information Bureau of Sri Lanka                                   | 41,596                                     | Value at cost*              |                                                                              |                                                                   | *Fair value cannot be reliably measured, These are investments in mutual entities that provide transaction processing and transaction services to members on a pricing basis intended to recover the entities operating cost. |
| Fitch Ratings Lanka Limited                                              | 625                                        | Value at cost*              |                                                                              |                                                                   |                                                                                                                                                                                                                               |
| LankaClear (Private) Limited                                             | 21,000                                     | Value at cost*              |                                                                              |                                                                   |                                                                                                                                                                                                                               |
| Lanka Financial Services Bureau Limited                                  | 2,250                                      | Value at cost*              |                                                                              |                                                                   |                                                                                                                                                                                                                               |

### 57.2 Fair Value of Assets and Liabilities not Carried at Fair Value

The following table summarised the fair value for assets and liabilities which are not already recorded at fair value in the Financial Statement:

| As at 31 December 2016                        | Bank                |                     |                     |                   |                            | Group               |                     |                     |                   |                            |
|-----------------------------------------------|---------------------|---------------------|---------------------|-------------------|----------------------------|---------------------|---------------------|---------------------|-------------------|----------------------------|
|                                               | Fair Value          |                     |                     |                   |                            | Fair Value          |                     |                     |                   |                            |
|                                               | Level 1<br>LKR '000 | Level 2<br>LKR '000 | Level 3<br>LKR '000 | Total<br>LKR '000 | Carrying Value<br>LKR '000 | Level 1<br>LKR '000 | Level 2<br>LKR '000 | Level 3<br>LKR '000 | Total<br>LKR '000 | Carrying Value<br>LKR '000 |
| <b>Assets</b>                                 |                     |                     |                     |                   |                            |                     |                     |                     |                   |                            |
| Financial investments – Loans and receivables | -                   | 191,780,103         | -                   | 191,780,103       | 191,874,638                | -                   | 191,889,547         | -                   | 191,889,547       | 191,984,082                |
| Financial investments – Held to maturity      | -                   | 235,401,153         | -                   | 235,401,153       | 243,178,400                | -                   | 235,476,720         | -                   | 235,476,720       | 243,253,967                |
| Investment properties                         | -                   | -                   | 3,000,000           | 3,000,000         | 3,000,000                  | -                   | -                   | 573,929             | 573,929           | 127,670                    |
| <b>Total</b>                                  | -                   | 427,181,256         | 3,000,000           | 430,181,256       | 438,053,038                | -                   | 427,366,267         | 573,929             | 427,940,196       | 435,365,719                |
| <b>Liabilities</b>                            |                     |                     |                     |                   |                            |                     |                     |                     |                   |                            |
| Other borrowings                              | 152,311,563         | -                   | 44,138,627          | 196,450,190       | 195,469,853                | 152,311,563         | -                   | 51,193,401          | 203,504,964       | 204,485,301                |
| Debt securities issued                        | -                   | 3,422,247           | -                   | 3,422,247         | 3,427,058                  | -                   | 8,355,522           | -                   | 8,355,522         | 8,360,333                  |
| Subordinate term debts                        | 38,717,099          | -                   | -                   | 38,717,099        | 38,645,546                 | 38,366,871          | -                   | -                   | 38,366,871        | 38,295,318                 |
| <b>Total</b>                                  | 191,028,662         | 3,422,247           | 44,138,627          | 238,589,536       | 237,542,457                | 190,678,434         | 8,355,522           | 51,193,401          | 250,227,357       | 251,140,952                |



| As at 31 December 2015                           | Bank                |                     |                     |                    |                            | Group               |                     |                     |                    |                            |
|--------------------------------------------------|---------------------|---------------------|---------------------|--------------------|----------------------------|---------------------|---------------------|---------------------|--------------------|----------------------------|
|                                                  | Fair Value          |                     |                     |                    |                            | Fair Value          |                     |                     |                    |                            |
|                                                  | Level 1<br>LKR '000 | Level 2<br>LKR '000 | Level 3<br>LKR '000 | Total<br>LKR '000  | Carrying Value<br>LKR '000 | Level 1<br>LKR '000 | Level 2<br>LKR '000 | Level 3<br>LKR '000 | Total<br>LKR '000  | Carrying Value<br>LKR '000 |
| <b>Assets</b>                                    |                     |                     |                     |                    |                            |                     |                     |                     |                    |                            |
| Financial investments –<br>Loans and receivables | -                   | 232,564,862         | -                   | 232,564,862        | 232,561,268                | -                   | 233,007,336         | -                   | 233,007,336        | 233,003,742                |
| Financial investments –<br>Held to maturity      | -                   | 253,772,055         | -                   | 253,772,055        | 246,288,625                | -                   | 253,832,941         | -                   | 253,832,941        | 246,349,511                |
| Investment properties                            | -                   | -                   | -                   | -                  | -                          | -                   | -                   | 650,556             | 650,556            | 145,840                    |
| <b>Total</b>                                     | <b>-</b>            | <b>486,336,917</b>  | <b>-</b>            | <b>486,336,917</b> | <b>478,849,893</b>         | <b>-</b>            | <b>486,840,277</b>  | <b>650,556</b>      | <b>487,490,833</b> | <b>479,499,093</b>         |
| <b>Liabilities</b>                               |                     |                     |                     |                    |                            |                     |                     |                     |                    |                            |
| Other borrowings                                 | 145,403,881         | -                   | 104,756,444         | 250,160,325        | 250,089,102                | 145,403,881         | -                   | 111,601,610         | 257,005,491        | 255,795,079                |
| Debt securities issued                           | -                   | 3,429,748           | -                   | 3,429,748          | 3,427,058                  | -                   | 8,706,437           | -                   | 8,706,437          | 8,703,747                  |
| Subordinate term debts                           | 35,331,364          | -                   | -                   | 35,331,364         | 35,627,450                 | 34,993,921          | -                   | -                   | 34,993,921         | 35,290,007                 |
| <b>Total</b>                                     | <b>180,735,245</b>  | <b>3,429,748</b>    | <b>104,756,444</b>  | <b>288,921,437</b> | <b>289,143,610</b>         | <b>180,397,802</b>  | <b>8,706,437</b>    | <b>111,601,610</b>  | <b>300,705,849</b> | <b>299,788,833</b>         |

The following describes the methodologies and assumptions used to determine fair values for those assets and liabilities which are not already recorded at fair value in the Financial Statements.

### **Financial Investments – Loans and Receivable**

Financial investments – Loans and receivables comprise Sri Lanka Development Bonds, Non-marketable Government securities and Corporate debt securities.

Sri Lanka Development Bonds are variable rate instruments which are re-pricing semi-annually. Hence it is assumed that the carrying amounts approximate their fair value. Listed corporate debt securities are valued using quoted market price as of the Reporting date and fair value of unquoted corporate debt securities and Government securities are estimated as the present value of future cash flows expected to be received from such investments calculated based on interest rates at the Reporting date for similar instruments.

### **Financial Investments – Held to Maturity**

Financial investments – Held to maturity comprise Government debt securities and they are valued using yield curve published by the Central Bank of Sri Lanka.

### **Investment Properties**

Investment properties are valued by the independent professional valuers and more details are given in Note 31.

### **Other Borrowings**

Other borrowings represent Senior notes, term borrowings from banks and other financial institutions in Sri Lanka and abroad and refinance borrowings.

Senior notes are listed in the Singapore Stock Exchange and valued using quoted market price as of the Reporting date. Fair value of term borrowings and refinance borrowings are estimated by the discounting the future cash flows using effective interest rates of similar instruments.

### **Debt Securities Issued**

Fair value of debt securities issued are estimated as the present value of future cash flows expected to be paid from such investments calculated based on interest rates at the Reporting date for similar instruments.

### **Subordinated Term Debts**

Subordinated term debts are listed in the Colombo Stock Exchange and valued using quoted market price as of the Reporting date.

### 57.3 Assets and Liabilities for 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 value. For certain instruments which have contractual maturity of more than one year, the fair value is determined using reasonable basis. Given below is the bases adopted by the Bank in order to establish the fair values of such financial instruments.

#### Loans and Advances to Customers

More than 50% of the total portfolio of loans and advances to customers have a remaining contractual maturity of less than one year and 95% of balance loans are granted at floating rate. Therefore, fair value of loans and advances to customers approximates to their carrying value as at the Reporting date.

#### Due to Other Customers

More than 90% of the customer deposits are either repayable on demand or have a remaining contractual maturity of less than one year. Customer deposits with a contractual maturity of more than one year are subject to premature upliftment. Amounts paid to customers in the event of premature upliftment would not be materially different to its carrying value as at date. Therefore fair value of customer deposits approximates to their carrying value as at the Reporting date.

| As at 31 December                            | 2016                        |                        | 2015                   |                        |
|----------------------------------------------|-----------------------------|------------------------|------------------------|------------------------|
|                                              | Carrying Amount<br>LKR '000 | Fair value<br>LKR '000 | Carrying Amount<br>LKR | Fair Value<br>LKR '000 |
| <b>Bank</b>                                  |                             |                        |                        |                        |
| <b>Financial Assets</b>                      |                             |                        |                        |                        |
| Cash and cash equivalents                    | 67,705,791                  | 67,705,791             | 79,916,559             | 79,916,559             |
| Balances with Central Banks                  | 56,387,741                  | 56,387,741             | 38,939,790             | 38,939,790             |
| Placements with banks                        | 11,674,664                  | 11,674,664             | 27,975,582             | 27,975,582             |
| Securities purchased under resale agreements | 1,901,618                   | 1,901,618              | 12,299,088             | 12,299,088             |
| Loans and advances to customers              | 1,000,082,574               | 1,000,082,574          | 826,789,630            | 826,789,630            |
| <b>Total financial assets</b>                | <b>1,137,752,388</b>        | <b>1,137,752,388</b>   | <b>985,920,649</b>     | <b>985,920,649</b>     |
| <b>Financial Liabilities</b>                 |                             |                        |                        |                        |
| Due to banks                                 | 2,042,322                   | 2,042,322              | 2,630,408              | 2,630,408              |
| Securities sold under repurchase agreements  | 59,424,629                  | 59,424,629             | 87,353,154             | 87,353,154             |
| Due to customers                             | 1,256,589,490               | 1,256,589,490          | 1,082,337,118          | 1,082,337,118          |
| <b>Total financial liabilities</b>           | <b>1,318,056,441</b>        | <b>1,318,056,441</b>   | <b>1,172,320,680</b>   | <b>1,172,320,680</b>   |
| <b>Group</b>                                 |                             |                        |                        |                        |
| <b>Financial Assets</b>                      |                             |                        |                        |                        |
| Cash and cash equivalents                    | 73,244,043                  | 73,244,043             | 83,722,721             | 83,722,721             |
| Balances with Central Banks                  | 56,387,741                  | 56,387,741             | 38,939,790             | 38,939,790             |
| Placements with banks                        | 12,931,605                  | 12,931,605             | 28,355,579             | 28,355,579             |
| Securities purchased under resale agreements | 2,350,704                   | 2,350,704              | 13,678,789             | 13,678,789             |
| Loans and advances to customers              | 1,027,768,110               | 1,027,768,110          | 851,905,227            | 851,905,227            |
| <b>Total financial assets</b>                | <b>1,172,682,203</b>        | <b>1,172,682,203</b>   | <b>1,016,602,106</b>   | <b>1,016,602,106</b>   |
| <b>Financial Liabilities</b>                 |                             |                        |                        |                        |
| Due to banks                                 | 2,053,945                   | 2,053,945              | 2,632,827              | 2,632,827              |
| Securities sold under repurchase agreements  | 58,925,801                  | 58,925,801             | 86,213,965             | 86,213,965             |
| Due to customers                             | 1,273,631,287               | 1,273,631,287          | 1,097,950,702          | 1,097,950,702          |
| <b>Total financial liabilities</b>           | <b>1,334,611,033</b>        | <b>1,334,611,033</b>   | <b>1,186,797,494</b>   | <b>1,186,797,494</b>   |

### 57.3 Reclassification of Financial Assets and Financial Liabilities

There have been no reclassifications during 2016.

## **58. Risk Management**

### **58.1 Introduction**

#### **58.1.1 Overview**

The Bank considers credit risk, market risk, liquidity risk and operational risk as key risks faced by the Bank. Information presented in this note focuses on the Bank's exposure to above risks.

#### **58.1.2 Group Risk Management**

Bank of Ceylon Group consist of 10 subsidiaries and four associate companies. Their principal activities spread over diverse range. Their income and expenses, are less than 5% of the Group's income and expenses and their total assets and liabilities are less than 3% of the Group's total assets and liabilities. Therefore, the affairs of subsidiaries and associates do not have significant impact to the risk management.

The Bank is managing the strategic risk through comprehensive review of group activities on a quarterly basis. Senior officers of the Bank are representing on such Boards and these officers, are involved in risk and audit committees, hence Bank closely involves in risk and audit affairs of subsidiaries. On special circumstances Internal Auditor of the Bank carries out audits in subsidiaries. In addition, the Bank has developed and implemented a reporting mechanism for subsidiaries through risk dashboards. The dashboard includes all the headline risk indicators of the respective subsidiary companies.

#### **58.1.3 Risk Management Framework**

Risk management governance structure of the Bank begins with oversight by the Board of Directors, which assures the performance of overall risk management framework. The Board establishes the risk appetite and sets strategic direction through risk management policies. The Bank's Independent Integrated Risk Management Division (IIRMD) is headed by the Chief Risk Officer (CRO), who directly reports to the Integrated Risk Management Committee (IRMC), which is a Subcommittee of the Board. CRO is also a member of management level committees such as Credit Committee, Asset and Liability Management Committee (ALCO), Operational Risk Management Executive Committee (ORMEC), IT Steering Committee, Fraud Risk Management Committee and Non-Performing Advances Monitoring Committee, which assist in managing various risks that the Bank is exposed to.

#### **58.1.4 Risk Measurement and Reporting Systems**

The Bank's risks are measured using a method that reflects both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss based on statistical models. The models make use of probabilities derived from historical experience, adjusted to reflect the economic environment. The Bank also runs worst-case scenarios that would arise in the event that extreme events which are unlikely to occur, in fact, do occur.

Monitoring and controlling risks are primarily performed based on limits established by the Bank. The risk appetite and limits for the Bank are approved by the Board based on recommendations of IRMC and inputs from the IIRMD by considering the operating business environment and the types of risk taking activities that are assumed in pursuit of the Bank's strategic and financial objectives. In the limits setting process through risk appetite statement, the Bank is controlling the risk-taking activities within the tolerance limits for credit, market, and operational risks.

In addition to that the Bank has an internal process for assessing its overall capital adequacy in relation to the Bank's risk profile and a strategy for maintaining its capital levels. The Internal Capital Adequacy Assessment Process (ICAAP) sets out the framework for the Bank's internal governance and the operation of the risk and capital planning. The process provides an assurance that the Bank has adequate capital to support all risks in its business and an appropriate capital buffer based on its business profile.

The IRMC receives a comprehensive risk report once a month which is designed to provide all the necessary information to assess and manage risks of the Bank.



### **58.1.5 Risk Mitigation**

As part of its overall risk management, the Bank uses mitigation techniques and strategies to reduce the risk. In managing credit risk, the Bank actively uses counterparty evaluation to reduce its credit risks. Collaterals are used to further mitigate losses. Market risk is mitigated using derivative instruments in limited context. Strong internal control mechanism is in place to manage operational risks and insurance is used as an operational risk transfer strategy where necessary.

## **58.2 Credit Risk**

Credit risk management process is based on credit risk management policy and lending guidelines approved by the Board of Directors. These documents lay down the conditions and guidelines for granting, maintenance, monitoring and management of credit, at both transaction and portfolio levels.

### **58.2.1 Maximum Exposure to Credit Risk**

#### **58.2.1.1 Collateral and Other Credit Enhancements**

The Bank obtains collateral from borrowers/counterparties in order to mitigate credit risk. The amount/types of collateral required depend on the credit risk assessment 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 securities lending and reverse repurchase transactions, cash or securities
- For commercial lending, charges over immovable properties, inventory and trade receivables
- For personal lending, mortgages over properties, cash and cash equivalents and gold articles
- For Government and State-Owned Enterprises, Sovereign guarantee

The Bank monitors the market value of collateral, and will request additional collateral in accordance with the underlying agreement. It is the Bank's policy to dispose of repossessed properties in an orderly fashion. The proceeds are used to reduce or repay the outstanding claim. In general, the Bank does not occupy repossessed properties for business use.

The following table shows the maximum exposure to credit risk, total fair value of collateral, any surplus collateral and the net exposure to credit risk:

| 31 December 2016                             | Fair Value of Collateral and Other Credit Enhancements Held |                    |                   |                                |                   |
|----------------------------------------------|-------------------------------------------------------------|--------------------|-------------------|--------------------------------|-------------------|
|                                              | Maximum Exposure to Credit Risk<br>LKR '000                 | Cash               | Gold              | GoSL Securities/<br>Guarantees | Movables          |
|                                              |                                                             | LKR '000           | LKR '000          | LKR '000                       | LKR '000          |
| <b>Financial Assets</b>                      |                                                             |                    |                   |                                |                   |
| Cash and cash equivalents                    | 67,705,791                                                  | 28,901,214         | -                 | -                              | -                 |
| Balances with Central Banks                  | 56,387,741                                                  | 56,387,741         | -                 | -                              | -                 |
| Placements with banks                        | 11,674,664                                                  | -                  | -                 | -                              | -                 |
| Securities purchased under resale agreements | 1,901,618                                                   | -                  | -                 | 1,901,618                      | -                 |
| Derivative financial instruments             | 5,300,844                                                   | -                  | -                 | -                              | -                 |
| Financial instruments – Held for trading     | 8,474,041                                                   | -                  | -                 | 5,375,587                      | -                 |
| Financial investments – Loans and receivable | 191,874,638                                                 | -                  | -                 | 185,683,966                    | -                 |
| Loans and advances to customers              | 1,047,189,690                                               | 60,535,565         | 44,954,643        | 281,263,263                    | 98,159,598        |
| Impairment                                   | (47,107,116)                                                | -                  | -                 | -                              | -                 |
| Financial investments – Available for sale   | 10,463,046                                                  | -                  | -                 | 2,061,794                      | -                 |
| Financial investments – Held to maturity     | 243,178,400                                                 | -                  | -                 | 159,061,000                    | -                 |
| <b>Total Financial Assets</b>                | <b>1,597,043,357</b>                                        | <b>145,824,520</b> | <b>44,954,643</b> | <b>635,347,228</b>             | <b>98,159,598</b> |

| 31 December 2015                             | Fair Value of Collateral and Other Credit Enhancements Held |                    |                   |                                |                    |
|----------------------------------------------|-------------------------------------------------------------|--------------------|-------------------|--------------------------------|--------------------|
|                                              | Maximum Exposure to Credit Risk<br>LKR '000                 | Cash               | Gold              | GoSL Securities/<br>Guarantees | Movables           |
|                                              |                                                             | LKR '000           | LKR '000          | LKR '000                       | LKR '000           |
| <b>Financial Assets</b>                      |                                                             |                    |                   |                                |                    |
| Cash and cash equivalents                    | 79,916,559                                                  | 28,436,414         | -                 | -                              | -                  |
| Balances with Central Banks                  | 38,939,790                                                  | 38,939,790         | -                 | -                              | -                  |
| Placements with banks                        | 27,975,582                                                  | -                  | -                 | -                              | -                  |
| Securities purchased under resale agreements | 12,299,088                                                  | -                  | -                 | 12,299,088                     | -                  |
| Derivative financial instruments             | 7,419,288                                                   | -                  | -                 | -                              | -                  |
| Financial instruments – Held for trading     | 12,173,304                                                  | -                  | -                 | 8,387,359                      | -                  |
| Financial investments – Loans and receivable | 232,561,268                                                 | -                  | -                 | 227,544,757                    | -                  |
| Loans and advances to customers              | 869,316,278                                                 | 38,194,086         | 59,141,394        | 282,660,460                    | 106,561,530        |
| Impairment                                   | (42,526,648)                                                | -                  | -                 | -                              | -                  |
| Financial investments – Available for sale   | 12,021,569                                                  | -                  | -                 | 2,612,690                      | -                  |
| Financial investments – Held to maturity     | 246,288,625                                                 | -                  | -                 | 146,670,625                    | -                  |
| <b>Total Financial Assets</b>                | <b>1,496,384,703</b>                                        | <b>105,570,290</b> | <b>59,141,394</b> | <b>680,174,979</b>             | <b>106,561,530</b> |

| Property    | Others     | Surplus Collateral | Net Collateral | Net Exposure |
|-------------|------------|--------------------|----------------|--------------|
| LKR '000    | LKR '000   | LKR '000           | LKR '000       | LKR '000     |
| -           | -          | -                  | 28,901,214     | 38,804,577   |
| -           | -          | -                  | 56,387,741     | -            |
| -           | -          | -                  | -              | 11,674,664   |
| -           | -          | -                  | 1,901,618      | -            |
| -           | -          | -                  | -              | 5,300,844    |
| -           | -          | -                  | 5,375,587      | 3,098,454    |
| -           | -          | -                  | 185,683,966    | 6,190,672    |
| 192,955,783 | 60,339,865 | (88,264,007)       | 649,944,710    | 397,244,980  |
| -           | -          | -                  | -              | (47,107,116) |
| -           | -          | -                  | 2,061,794      | 8,401,252    |
| -           | -          | -                  | 159,061,000    | 84,117,400   |
| 192,955,783 | 60,339,865 | (88,264,007)       | 1,089,317,630  | 507,725,727  |

| Property    | Others     | Surplus Collateral | Net Collateral | Net Exposure |
|-------------|------------|--------------------|----------------|--------------|
| LKR '000    | LKR '000   | LKR '000           | LKR '000       | LKR '000     |
| -           | -          | -                  | 28,436,414     | 51,480,145   |
| -           | -          | -                  | 38,939,790     | -            |
| -           | -          | -                  | -              | 27,975,582   |
| -           | -          | -                  | 12,299,088     | -            |
| -           | -          | -                  | -              | 7,419,288    |
| -           | -          | -                  | 8,387,359      | 3,785,945    |
| -           | -          | -                  | 227,544,757    | 5,016,511    |
| 144,571,329 | 35,617,772 | (81,320,764)       | 585,425,807    | 283,890,471  |
| -           | -          | -                  | -              | (42,526,648) |
| -           | -          | -                  | 2,612,690      | 9,408,879    |
| -           | -          | -                  | 146,670,625    | 99,618,000   |
| 144,571,329 | 35,617,772 | (81,320,764)       | 1,050,316,530  | 446,068,173  |

## 58.2.2 Credit Quality by Class of Financial Assets

The Bank has established borrower risk rating models for corporate exposures covering different industries through the Integrated Risk Management System (IRMS), which would be used for decision making process and estimation of probability of default. In addition, facility rating models have been established for the transaction specific factors; these would be subsequently used in Internal Rating Based Approach under Basel II. The borrower risk rating system categorises all performing corporate credits into eight grades on the basis of underlying credit quality. For consumer lending, the Bank has established credit-scorecards covering retail segment through the IRMS for evaluating credit facilities and monitoring credit quality.

The Bank's non-performing advances are categorised as per the CBSL guidelines. At each Reporting date the Bank assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired when objective evidence demonstrates that there is an incurred loss.

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Impairment losses are recognised in profit or loss and reflected in an impairment charges against loans and advances. A detailed note on impairment of loans and advances is in Note 26 to the Financial Statements.

The Bank writes off certain loans and advances and investment securities when they are determined to be uncollectible.

The table below shows the credit quality by class of asset for all financial assets exposed to credit risk, based on the Bank's internal credit rating system and intrinsic risk of the financial assets. Highgrades include advances granted to GOSL and loans and advances granted to corporate borrowers whose internal credit ratings are AAA, AA or A. Standard grade consists of corporate borrowers whose internal credit rating is BBB, BB or B. Substandard grade includes corporate borrowers whose credit rating is C or D:

|                                              | As at 31 December 2016        |                            |                               |                                              |                                                    |                                   |                      |
|----------------------------------------------|-------------------------------|----------------------------|-------------------------------|----------------------------------------------|----------------------------------------------------|-----------------------------------|----------------------|
|                                              | Neither Past Due/Nor Impaired |                            |                               |                                              | Past Due but not Individually Impaired<br>LKR '000 | Individually Impaired<br>LKR '000 | Total<br>LKR '000    |
|                                              | High Grade<br>LKR '000        | Standard Grade<br>LKR '000 | Substandard Grade<br>LKR '000 | Grades not Allocated/<br>Unrated<br>LKR '000 |                                                    |                                   |                      |
| <b>Financial Assets</b>                      |                               |                            |                               |                                              |                                                    |                                   |                      |
| Cash and cash equivalents                    | 43,393,783                    | -                          | -                             | 24,312,008                                   | -                                                  | -                                 | 67,705,791           |
| Balances with Central Banks                  | 56,387,741                    | -                          | -                             | -                                            | -                                                  | -                                 | 56,387,741           |
| Placements with banks                        | 11,674,664                    | -                          | -                             | -                                            | -                                                  | -                                 | 11,674,664           |
| Securities purchased under resale agreements | 1,901,618                     | -                          | -                             | -                                            | -                                                  | -                                 | 1,901,618            |
| Derivative financial instruments             | 5,300,844                     | -                          | -                             | -                                            | -                                                  | -                                 | 5,300,844            |
| Financial instruments – Held for trading     | 5,375,587                     | -                          | -                             | 3,098,454                                    | -                                                  | -                                 | 8,474,041            |
| Financial investments – Loans and receivable | 185,683,966                   | -                          | -                             | 6,190,672                                    | -                                                  | -                                 | 191,874,638          |
| Loans and advances to customers              | 279,845,017                   | 108,409,398                | 16,554,840                    | 422,192,716                                  | 187,105,186                                        | 33,082,533                        | 1,047,189,690        |
| Impairment                                   | -                             | -                          | -                             | -                                            | -                                                  | -                                 | (47,107,116)         |
| Financial investments – Available for sale   | 2,061,794                     | -                          | -                             | 8,401,252                                    | -                                                  | -                                 | 10,463,046           |
| Financial investments – Held to maturity     | 242,480,848                   | -                          | -                             | 697,552                                      | -                                                  | -                                 | 243,178,400          |
| <b>Total Financial Assets</b>                | <b>834,105,862</b>            | <b>108,409,398</b>         | <b>16,554,840</b>             | <b>464,892,654</b>                           | <b>187,105,186</b>                                 | <b>33,082,533</b>                 | <b>1,597,043,357</b> |

| Age Analysis of Past Due<br>But Not Individually Impaired Loans | Past Due But Not Individually Impaired |                              |                              |                               |                                  |             | Total<br>LKR '000 |
|-----------------------------------------------------------------|----------------------------------------|------------------------------|------------------------------|-------------------------------|----------------------------------|-------------|-------------------|
|                                                                 | Less than<br>30 Days<br>LKR '000       | 31 to 60<br>Days<br>LKR '000 | 61 to 90<br>Days<br>LKR '000 | 91 to 180<br>Days<br>LKR '000 | 181 Days<br>and Over<br>LKR '000 |             |                   |
| Loans and advances to customers                                 | 93,525,723                             | 51,317,462                   | 5,680,504                    | 5,122,053                     | 31,459,444                       | 187,105,186 |                   |

Note: Age analysis of past due but not individually impaired loans include facilities in arrears of one day and above.

|                                                 | As at 31 December 2015        |                               |                                  |                                                 |                                                          |                                      |                      |
|-------------------------------------------------|-------------------------------|-------------------------------|----------------------------------|-------------------------------------------------|----------------------------------------------------------|--------------------------------------|----------------------|
|                                                 | Neither Past Due/Nor Impaired |                               |                                  |                                                 | Past Due but<br>not Individually<br>Impaired<br>LKR '000 | Individually<br>Impaired<br>LKR '000 | Total<br>LKR '000    |
|                                                 | High Grade<br>LKR '000        | Standard<br>Grade<br>LKR '000 | Substandard<br>Grade<br>LKR '000 | Grades<br>not Allocated/<br>Unrated<br>LKR '000 |                                                          |                                      |                      |
| <b>Financial Assets</b>                         |                               |                               |                                  |                                                 |                                                          |                                      |                      |
| Cash and cash equivalents                       | 41,360,175                    | -                             | -                                | 38,556,384                                      | -                                                        | -                                    | 79,916,559           |
| Balances with Central Banks                     | 38,939,790                    | -                             | -                                | -                                               | -                                                        | -                                    | 38,939,790           |
| Placements with banks                           | 27,975,582                    | -                             | -                                | -                                               | -                                                        | -                                    | 27,975,582           |
| Securities purchased under<br>resale agreements | 12,299,088                    | -                             | -                                | -                                               | -                                                        | -                                    | 12,299,088           |
| Derivative financial instruments                | 7,419,288                     | -                             | -                                | -                                               | -                                                        | -                                    | 7,419,288            |
| Financial instruments –<br>Held for trading     | 8,387,359                     | -                             | -                                | 3,785,945                                       | -                                                        | -                                    | 12,173,304           |
| Financial investments –<br>Loans and receivable | 227,544,756                   | -                             | -                                | 5,016,512                                       | -                                                        | -                                    | 232,561,268          |
| Loans and advances to<br>customers              | 253,180,078                   | 34,899,289                    | 112,019,544                      | 308,135,174                                     | 124,136,118                                              | 36,946,075                           | 869,316,278          |
| Impairment                                      | -                             | -                             | -                                | -                                               | -                                                        | -                                    | (42,526,648)         |
| Financial investments –<br>Available for sale   | 2,612,690                     | -                             | -                                | 9,408,879                                       | -                                                        | -                                    | 12,021,569           |
| Financial investments –<br>Held to maturity     | 246,288,625                   | -                             | -                                | -                                               | -                                                        | -                                    | 246,288,625          |
| <b>Total Financial Assets</b>                   | <b>866,007,431</b>            | <b>34,899,289</b>             | <b>112,019,544</b>               | <b>364,902,894</b>                              | <b>124,136,118</b>                                       | <b>36,946,075</b>                    | <b>1,496,384,703</b> |

| Age Analysis of Past Due<br>But not Individually Impaired Loans | Past Due but not individually Impaired |                              |                              |                               |                                  |             | Total<br>LKR '000 |
|-----------------------------------------------------------------|----------------------------------------|------------------------------|------------------------------|-------------------------------|----------------------------------|-------------|-------------------|
|                                                                 | Less than<br>30 Days<br>LKR '000       | 31 to 60<br>Days<br>LKR '000 | 61 to 90<br>Days<br>LKR '000 | 91 to 180<br>Days<br>LKR '000 | 181 Days<br>and Over<br>LKR '000 |             |                   |
| Loans and advances to customers                                 | 54,684,470                             | 37,297,031                   | 5,786,244                    | 2,875,788                     | 23,492,585                       | 124,136,118 |                   |

Note: Age analysis of past due but not individually impaired loans include facilities in arrears of one day and above.

**Country Wise Exposure**

| 31 December 2016                                | Sri Lanka<br>LKR '000 | United<br>Kingdom<br>LKR '000 | Maldives<br>LKR '000 | India<br>LKR '000 | United<br>States of<br>America<br>LKR '000 | Seychelles<br>LKR '000 | Other<br>Countries<br>LKR '000 | Total<br>LKR '000    |
|-------------------------------------------------|-----------------------|-------------------------------|----------------------|-------------------|--------------------------------------------|------------------------|--------------------------------|----------------------|
| <b>Financial Assets</b>                         |                       |                               |                      |                   |                                            |                        |                                |                      |
| Cash and cash equivalents                       | 38,436,122            | 13,156,378                    | 3,912,193            | 89,880            | 10,908,334                                 | 94,560                 | 1,108,324                      | 67,705,791           |
| Balances with<br>Central Banks                  | 50,700,556            | -                             | 4,900,518            | 516,838           | -                                          | 269,829                | -                              | 56,387,741           |
| Placements with banks                           | 156,619               | 10,200,705                    | -                    | 1,317,340         | -                                          | -                      | -                              | 11,674,664           |
| Securities purchased<br>under resale agreements | 1,901,618             | -                             | -                    | -                 | -                                          | -                      | -                              | 1,901,618            |
| Derivative financial<br>instruments             | 5,300,844             | -                             | -                    | -                 | -                                          | -                      | -                              | 5,300,844            |
| Financial instruments –<br>Held for trading     | 8,474,041             | -                             | -                    | -                 | -                                          | -                      | -                              | 8,474,041            |
| Financial investments –<br>Loans and receivable | 176,705,115           | -                             | 15,169,523           | -                 | -                                          | -                      | -                              | 191,874,638          |
| Loans and advances<br>to customers              | 953,431,521           | -                             | 39,544,046           | 6,145,043         | -                                          | 961,964                | -                              | 1,000,082,574        |
| Financial investments –<br>Available for sale   | 9,321,157             | -                             | -                    | 1,141,889         | -                                          | -                      | -                              | 10,463,046           |
| Financial investments –<br>Held to maturity     | 243,178,400           | -                             | -                    | -                 | -                                          | -                      | -                              | 243,178,400          |
| <b>Total Financial Assets</b>                   | <b>1,487,605,993</b>  | <b>23,357,083</b>             | <b>63,526,280</b>    | <b>9,210,990</b>  | <b>10,908,334</b>                          | <b>1,326,353</b>       | <b>1,108,324</b>               | <b>1,597,043,357</b> |
| <b>Financial Liabilities</b>                    |                       |                               |                      |                   |                                            |                        |                                |                      |
| Due to banks                                    | 1,309,844             | -                             | -                    | 732,478           | -                                          | -                      | -                              | 2,042,322            |
| Securities sold under<br>resale agreements      | 59,424,629            | -                             | -                    | -                 | -                                          | -                      | -                              | 59,424,629           |
| Derivative financial<br>instruments             | 171,663               | -                             | -                    | -                 | -                                          | -                      | -                              | 171,663              |
| Due to customers                                | 1,222,384,532         | -                             | 29,039,013           | 3,664,581         | -                                          | 1,501,364              | -                              | 1,256,589,490        |
| Other borrowings                                | 4,197,950             | -                             | -                    | 276,903           | -                                          | -                      | 190,995,000                    | 195,469,853          |
| Debt securities issued                          | 3,427,058             | -                             | -                    | -                 | -                                          | -                      | -                              | 3,427,058            |
| Subordinated term debts                         | 38,645,546            | -                             | -                    | -                 | -                                          | -                      | -                              | 38,645,546           |
| <b>Total Financial Liabilities</b>              | <b>1,329,561,222</b>  | <b>-</b>                      | <b>29,039,013</b>    | <b>4,673,962</b>  | <b>-</b>                                   | <b>1,501,364</b>       | <b>190,995,000</b>             | <b>1,555,770,561</b> |

| 31 December 2015                                | Sri Lanka<br>LKR '000 | United<br>Kingdom<br>LKR '000 | Maldives<br>LKR '000 | India<br>LKR '000 | United<br>States of<br>America<br>LKR '000 | Seychelles<br>LKR '000 | Other<br>Countries<br>LKR '000 | Total<br>LKR '000    |
|-------------------------------------------------|-----------------------|-------------------------------|----------------------|-------------------|--------------------------------------------|------------------------|--------------------------------|----------------------|
| <b>Financial Assets</b>                         |                       |                               |                      |                   |                                            |                        |                                |                      |
| Cash and cash equivalents                       | 68,093,505            | 731,685                       | 272,922              | 62,314            | 10,071,356                                 | 107,792                | 576,985                        | 79,916,559           |
| Balances with<br>Central Banks                  | 30,164,106            | -                             | 8,209,788            | 464,892           | -                                          | 101,004                | -                              | 38,939,790           |
| Placements with banks                           | 58,341                | 26,376,605                    | -                    | 1,540,636         | -                                          | -                      | -                              | 27,975,582           |
| Securities purchased<br>under resale agreements | 12,299,088            | -                             | -                    | -                 | -                                          | -                      | -                              | 12,299,088           |
| Derivative financial<br>instruments             | 7,419,288             | -                             | -                    | -                 | -                                          | -                      | -                              | 7,419,288            |
| Financial instruments –<br>Held for trading     | 12,173,304            | -                             | -                    | -                 | -                                          | -                      | -                              | 12,173,304           |
| Financial investments –<br>Loans and receivable | 224,985,928           | -                             | 7,575,340            | -                 | -                                          | -                      | -                              | 232,561,268          |
| Loans and advances<br>to customers              | 799,139,228           | -                             | 21,762,791           | 5,161,128         | -                                          | 726,483                | -                              | 826,789,630          |
| Financial investments –<br>Available for sale   | 10,877,987            | -                             | -                    | 1,143,582         | -                                          | -                      | -                              | 12,021,569           |
| Financial investments –<br>Held to maturity     | 246,288,625           | -                             | -                    | -                 | -                                          | -                      | -                              | 246,288,625          |
| <b>Total Financial Assets</b>                   | <b>1,411,499,400</b>  | <b>27,108,290</b>             | <b>37,820,841</b>    | <b>8,372,552</b>  | <b>10,071,356</b>                          | <b>935,279</b>         | <b>576,985</b>                 | <b>1,496,384,703</b> |
| <b>Financial Liabilities</b>                    |                       |                               |                      |                   |                                            |                        |                                |                      |
| Due to banks                                    | 1,010,161             | -                             | -                    | 1,620,247         | -                                          | -                      | -                              | 2,630,408            |
| Securities sold under<br>resale agreements      | 87,353,154            | -                             | -                    | -                 | -                                          | -                      | -                              | 87,353,154           |
| Derivative financial<br>instruments             | 156,302               | -                             | -                    | -                 | -                                          | -                      | -                              | 156,302              |
| Due to customers                                | 1,055,393,715         | -                             | 23,303,374           | 2,762,619         | -                                          | 877,410                | -                              | 1,082,337,118        |
| Other borrowings                                | 3,362,252             | 21,609,000                    | -                    | 18,295,620        | 7,178,952                                  | -                      | 199,643,278                    | 250,089,102          |
| Debt securities issued                          | 3,427,058             | -                             | -                    | -                 | -                                          | -                      | -                              | 3,427,058            |
| Subordinated term debts                         | 35,627,450            | -                             | -                    | -                 | -                                          | -                      | -                              | 35,627,450           |
| <b>Total Financial Liabilities</b>              | <b>1,186,330,092</b>  | <b>21,609,000</b>             | <b>23,303,374</b>    | <b>22,678,486</b> | <b>7,178,952</b>                           | <b>877,410</b>         | <b>199,643,278</b>             | <b>1,461,620,592</b> |

### 58.2.3 Analysis of Risk Concentration

At portfolio level, risk arise from concentration of exposures to individual/group of borrowers, industry/sectors and geographical regions.

#### Country Wise Exposure

The Bank maintains exposures outside Sri Lanka mainly due to its three branches in India, Maldives and Seychelles and the fully-owned subsidiary operating in United Kingdom (UK). All overseas branches are operating with pre-set limits (credit limits as well as country limits) and are approved by the Board of Directors while the credits are managed through delegated authority where the higher levels of authority is retained within Head Office in Colombo.

UK subsidiary is operating under regulatory purview of UK Prudential Regulation Authority and by having the control over the decentralised credit decision through the Board of Directors appointed by the Bank. The key staff including Chief Executive Officer and Deputy Chief Executive Officer are the employees seconded from Bank of Ceylon. UK operations have established risk exposure levels as part of its risk management framework.

Exposures in other countries include placements with banks and Nostro account balances with correspondent banks whose risks are managed through Board approved bank limits and country limits.

### Sector Wise Exposure

| 31 December 2016                             | Agriculture and Fisheries<br>LKR '000 | Banking Finance and Insurance business<br>LKR '000 | Hotels, Travels and Services<br>LKR '000 | Housing, Construction and Infrastructure<br>LKR '000 | Manufacturing<br>LKR '000 | Commercial Trade<br>LKR '000 |
|----------------------------------------------|---------------------------------------|----------------------------------------------------|------------------------------------------|------------------------------------------------------|---------------------------|------------------------------|
| Cash and cash equivalents                    | -                                     | 14,492,569                                         | -                                        | -                                                    | -                         | -                            |
| Balances with Central Banks                  | -                                     | -                                                  | -                                        | -                                                    | -                         | -                            |
| Placements with banks                        | -                                     | 11,674,664                                         | -                                        | -                                                    | -                         | -                            |
| Securities purchased under resale agreements | -                                     | -                                                  | -                                        | -                                                    | -                         | -                            |
| Derivative financial instruments             | -                                     | 5,300,844                                          | -                                        | -                                                    | -                         | -                            |
| Financial instruments – Held for trading     | 531,124                               | 82,702                                             | 386,666                                  | 93,999                                               | 827,151                   | 972,381                      |
| Financial investments – Loans and receivable | -                                     | 5,225,215                                          | -                                        | -                                                    | -                         | 965,457                      |
| Loans and advances to customers              | 93,122,279                            | 35,577,036                                         | 38,962,287                               | 220,818,815                                          | 64,745,001                | 180,657,875                  |
| Impairment                                   | -                                     | -                                                  | -                                        | -                                                    | -                         | -                            |
| Financial investments – Available for sale   | -                                     | 8,401,252                                          | -                                        | -                                                    | -                         | -                            |
| Financial investments – Held to maturity     | -                                     | -                                                  | -                                        | -                                                    | -                         | -                            |
| <b>Total Financial Assets</b>                | <b>93,653,403</b>                     | <b>80,754,282</b>                                  | <b>39,348,953</b>                        | <b>220,912,814</b>                                   | <b>65,572,152</b>         | <b>182,595,713</b>           |

| 31 December 2015                             | Agriculture and Fisheries<br>LKR '000 | Banking Finance and Insurance business<br>LKR '000 | Hotels, Travels and Services<br>LKR '000 | Housing, Construction and Infrastructure<br>LKR '000 | Manufacturing<br>LKR '000 | Commercial Trade<br>LKR '000 |
|----------------------------------------------|---------------------------------------|----------------------------------------------------|------------------------------------------|------------------------------------------------------|---------------------------|------------------------------|
| Cash and cash equivalents                    | -                                     | 12,923,761                                         | -                                        | -                                                    | -                         | -                            |
| Balances with Central Banks                  | -                                     | -                                                  | -                                        | -                                                    | -                         | -                            |
| Placements with banks                        | -                                     | 27,975,582                                         | -                                        | -                                                    | -                         | -                            |
| Securities purchased under resale agreements | -                                     | -                                                  | -                                        | -                                                    | -                         | -                            |
| Derivative financial instruments             | -                                     | 7,419,288                                          | -                                        | -                                                    | -                         | -                            |
| Financial instruments – Held for trading     | 129,977                               | 109,331                                            | 484,159                                  | 369,648                                              | 1,481,977                 | 107,582                      |
| Financial investments – Loans and receivable | -                                     | 4,321,008                                          | -                                        | -                                                    | -                         | 695,505                      |
| Loans and advances to customers              | 86,660,336                            | 17,621,880                                         | 27,853,322                               | 178,161,683                                          | 49,931,287                | 167,215,850                  |
| Less: Impairment                             | -                                     | -                                                  | -                                        | -                                                    | -                         | -                            |
| Financial investments – Available for sale   | -                                     | 9,408,879                                          | -                                        | -                                                    | -                         | -                            |
| Financial investments – Held to maturity     | -                                     | -                                                  | -                                        | -                                                    | -                         | -                            |
| <b>Total Financial Assets</b>                | <b>86,790,313</b>                     | <b>79,779,729</b>                                  | <b>28,337,481</b>                        | <b>178,531,331</b>                                   | <b>51,413,264</b>         | <b>168,018,937</b>           |

\*This excludes exposure to State Owned Enterprises (SOEs).



| Sovereign and Direct Government | Transportation and Logistics | Other Commercial Services | Consumption and Others | Total                |
|---------------------------------|------------------------------|---------------------------|------------------------|----------------------|
| LKR '000                        | LKR '000                     | LKR '000                  | LKR '000               | LKR '000             |
| -                               | -                            | -                         | 53,213,222             | 67,705,791           |
| 56,387,741                      | -                            | -                         | -                      | 56,387,741           |
| -                               | -                            | -                         | -                      | 11,674,664           |
| 1,901,618                       | -                            | -                         | -                      | 1,901,618            |
| -                               | -                            | -                         | -                      | 5,300,844            |
| 5,375,587                       | 11,274                       | 193,157                   | -                      | 8,474,041            |
| 185,683,966                     | -                            | -                         | -                      | 191,874,638          |
| 101,138,871*                    | 49,524,934                   | 22,027,488                | 240,615,104            | 1,047,189,690        |
| -                               | -                            | -                         | -                      | (47,107,116)         |
| 434,475                         | -                            | -                         | 1,627,319              | 10,463,046           |
| 243,178,400                     | -                            | -                         | -                      | 243,178,400          |
| <b>594,100,658</b>              | <b>49,536,208</b>            | <b>22,220,645</b>         | <b>295,455,645</b>     | <b>1,597,043,357</b> |

| Sovereign and Direct Government | Transportation and Logistics | Other Commercial Services | Consumption and Others | Total                |
|---------------------------------|------------------------------|---------------------------|------------------------|----------------------|
| LKR '000                        | LKR '000                     | LKR '000                  | LKR '000               | LKR '000             |
| -                               | -                            | -                         | 66,992,798             | 79,916,559           |
| 38,939,790                      | -                            | -                         | -                      | 38,939,790           |
| -                               | -                            | -                         | -                      | 27,975,582           |
| 12,299,088                      | -                            | -                         | -                      | 12,299,088           |
| -                               | -                            | -                         | -                      | 7,419,288            |
| 8,387,359                       | -                            | 1,103,271                 | -                      | 12,173,304           |
| 219,969,415                     | -                            | -                         | 7,575,340              | 232,561,268          |
| 108,448,614*                    | 44,549,525                   | 28,241,499                | 160,632,282            | 869,316,278          |
| -                               | -                            | -                         | -                      | (42,526,648)         |
| 1,469,107                       | -                            | -                         | 1,143,583              | 12,021,569           |
| 246,288,625                     | -                            | -                         | -                      | 246,288,625          |
| <b>635,801,998</b>              | <b>44,549,525</b>            | <b>29,344,770</b>         | <b>236,344,003</b>     | <b>1,496,384,703</b> |

## 58.2.4 Commitments and Guarantees

To meet the financial needs of customers, the Bank enters into various irrevocable commitments and contingent liabilities. Even though these obligations may not be recognised on the Statement of Financial Position, they do contain credit risk and are therefore part of the overall risk of the Bank.

The table below shows the Bank's maximum credit risk exposure for commitments and guarantees.

| As at 31 December                  | Bank               |                    |
|------------------------------------|--------------------|--------------------|
|                                    | 2016<br>LKR '000   | 2015<br>LKR '000   |
| Acceptances and documentary credit | 133,108,741        | 145,462,242        |
| Forward exchange contracts         | 78,538,947         | 37,342,272         |
| Guarantees                         | 88,636,554         | 91,386,393         |
|                                    | <b>300,284,242</b> | <b>274,190,907</b> |

## 58.3 Liquidity Risk and Funding Management

ALCO being the main Management Committee for taking important decisions on managing liquidity and market risk, Bank's funding plan is reviewed regularly and remedial measures are proposed to rectify any material deviation which might lead to a stressed liquidity situation.

Treasury division prepares the Maturity Gap Analysis on a monthly basis and submits to ALCO for decision making purpose. Assets and liabilities of the Bank are positioned into predefined time bands according to their residual term to maturity. Assets and liability mismatches are monitored against the limits to mitigate liquidity risk of the Bank.

The table below presents the contractual undiscounted maturity of the Bank's financial liabilities as at 31 December 2016.

| 31 December 2016                        | On Demand<br>LKR '000 | Less than 3 Months<br>LKR '000 | 3 to 12 Months<br>LKR '000 | 1 to 5 Years<br>LKR '000 | Over 5 Years<br>LKR '000 | Total<br>LKR '000    |
|-----------------------------------------|-----------------------|--------------------------------|----------------------------|--------------------------|--------------------------|----------------------|
| Due to banks                            | -                     | 2,042,322                      | -                          | -                        | -                        | 2,042,322            |
| Securities sold under resale agreements | -                     | 43,420,086                     | 61,985,387                 | 17,307                   | -                        | 105,422,780          |
| Derivative financial instruments        | -                     | 171,663                        | -                          | -                        | -                        | 171,663              |
| Due to customers                        | 544,978,039           | 286,365,143                    | 390,777,612                | 61,946,504               | 3,178                    | 1,284,070,476        |
| Other borrowings                        | -                     | 34,719,659                     | 81,273,566                 | 79,892,126               | 824,918                  | 196,710,269          |
| Debt securities issued                  | -                     | -                              | 3,823,000                  | -                        | -                        | 3,823,000            |
| Subordinated debentures                 | -                     | -                              | 9,584,647                  | 8,595,013                | 9,455,669                | 27,635,329           |
| <b>Total Financial Liabilities</b>      | <b>544,978,039</b>    | <b>366,718,873</b>             | <b>547,444,212</b>         | <b>150,450,950</b>       | <b>10,283,765</b>        | <b>1,619,875,839</b> |

| 31 December 2015                        | On Demand<br>LKR '000 | Less than 3 Months<br>LKR '000 | 3 to 12 Months<br>LKR '000 | 1 to 5 Years<br>LKR '000 | Over 5 Years<br>LKR '000 | Total<br>LKR '000    |
|-----------------------------------------|-----------------------|--------------------------------|----------------------------|--------------------------|--------------------------|----------------------|
| Due to banks                            | -                     | 2,630,408                      | -                          | -                        | -                        | 2,630,408            |
| Securities sold under resale agreements | -                     | -                              | -                          | -                        | -                        | -                    |
| Derivative financial instruments        | -                     | 156,302                        | -                          | -                        | -                        | 156,302              |
| Due to customers                        | 503,153,702           | 220,273,160                    | 317,080,983                | 49,419,624               | 38,025                   | 1,089,965,494        |
| Other borrowings                        | -                     | 141,294,433                    | 64,601,985                 | 161,719,368              | -                        | 367,615,786          |
| Debt securities issued                  | -                     | -                              | 517,400                    | 3,823,000                | -                        | 4,340,400            |
| Subordinated debentures                 | -                     | -                              | 8,908,873                  | 32,151,422               | 8,789,641                | 49,849,936           |
| <b>Total Financial Liabilities</b>      | <b>503,153,702</b>    | <b>364,354,303</b>             | <b>391,109,241</b>         | <b>247,113,414</b>       | <b>8,827,666</b>         | <b>1,514,558,326</b> |

## 58.4 Market Risk

Market risk is the risk that the fair value of the future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates, equity prices and commodity prices. The Bank classifies exposures into either trading or non-trading portfolios and manages each of these portfolios separately. The market risk for the foreign exchange and equity trading portfolio are managed and monitored based on a Value at Risk (VaR) methodology that reflects the interdependency between risk variables. Interest rate risk of the trading portfolio is managed through Price Value per Basis Point (PVBP) and duration analysis.

Non-trading portfolios are managed and monitored using sensitivity analysis and stress testing.

### 58.4.1 Currency Risk

Currency risk is the risk that the value of financial instruments will fluctuate due to foreign exchange rates. The Bank carries moderate level of open positions and therefore does not have significant sensitivity to profit and loss over foreign currency trading transactions. A detailed limit structure along with VaR limits prescribed by the IIRMD govern the foreign exchange risk. Currency VaR as at 31 December 2016 LKR 829,036/- (2015 – LKR 1,317,688/-) and our risk appetite limit is LKR 8,000,000/- (2015 – LKR 8,000,000/-).

| Foreign Exchange Position as at 31 December | 2016                         |                               | 2015                         |                               |
|---------------------------------------------|------------------------------|-------------------------------|------------------------------|-------------------------------|
|                                             | Net Overall Long<br>LKR '000 | Net Overall Short<br>LKR '000 | Net Overall Long<br>LKR '000 | Net Overall Short<br>LKR '000 |
| <b>Currency</b>                             |                              |                               |                              |                               |
| United states dollar                        | 82,924                       | –                             | –                            | (231,518)                     |
| Great britain pound                         | 14                           | –                             | 671                          | –                             |
| Euro                                        | 112                          | –                             | –                            | (113)                         |
| Japanese yen                                | 2                            | –                             | 1,512                        | –                             |
| Australian dollar                           | –                            | (1,123)                       | 65                           | –                             |
| Canadian dollar                             | –                            | (326)                         | –                            | (415)                         |
| Swiss franc                                 | 489                          | –                             | 1,617                        | –                             |
| Singapore dollar                            | –                            | (1,052)                       | –                            | (967)                         |
| Hong Kong dollar                            | (1,838)                      | –                             | –                            | (789)                         |
| <b>Subtotal</b>                             | <b>11,745</b>                | <b>(2,501)</b>                | <b>3,865</b>                 | <b>(233,802)</b>              |
| Other currencies                            | 4,783                        | (647)                         | 4,783                        | (647)                         |
| <b>Grand total</b>                          | <b>2,376</b>                 | <b>(3,148)</b>                | <b>8,648</b>                 | <b>(234,449)</b>              |
| Higher of long or short                     |                              | (3,148)                       |                              | (234,449)                     |

### Impact on Income Statement due to Exchange Rate Shocks

| Exchange Rate Shocks | 2016                                                 |                                                                        | 2015                                                 |                                                                        |
|----------------------|------------------------------------------------------|------------------------------------------------------------------------|------------------------------------------------------|------------------------------------------------------------------------|
|                      | Net Open Position<br>(After Rate Shocks)<br>LKR '000 | Impact on Income<br>Statement as at<br>31 December<br>2016<br>LKR '000 | Net Open Position<br>(After Rate Shocks)<br>LKR '000 | Impact on Income<br>Statement as at<br>31 December<br>2015<br>LKR '000 |
| 5%                   | (2,991)                                              | 157                                                                    | (222,726)                                            | 11,722                                                                 |
| 10%                  | (2,833)                                              | 315                                                                    | (211,003)                                            | 23,445                                                                 |
| -5%                  | (3,305)                                              | (157)                                                                  | (246,172)                                            | (11,722)                                                               |
| -10%                 | (3,463)                                              | (315)                                                                  | (257,893)                                            | (23,444)                                                               |

**58.4.2 Interest Rate Risk**

Interest rate risk arises from the possibility that changes in interest rate will affect future cash flows or the fair value of the financial instruments.

PVBP and duration analysis are monitored weekly to assess the impact of interest rate changes on Bank's trading portfolios of Treasury Bonds and Bills.

|                           | 2016 | 2015 |
|---------------------------|------|------|
| <b>HFT Bond Portfolio</b> |      |      |
| PVBP (LKR million)        | 0.1  | 0.5  |
| Duration (Years)          | 2.4  | 2.4  |
| <b>HFT Bill Portfolio</b> |      |      |
| PVBP (LKR million)        | 0.2  | 0.1  |
| Duration (Years)          | 0.4  | 0.2  |
| <b>AFS Bond Portfolio</b> |      |      |
| PVBP (LKR million)        | 0.1  | 0.1  |
| Duration (Years)          | 2.9  | 4.4  |
| <b>AFS Bill Portfolio</b> |      |      |
| PVBP (LKR million)        | –    | 0.02 |
| Duration (Years)          | –    | 0.4  |

Interest rate risk in the bank book is monitored by placing the interest sensitive assets and liabilities in predetermined maturity buckets considering its residual time to maturity and setting and monitoring gap limits and the repricing profile.

| 2016                       | Up to 1<br>Month<br>% | 1-3<br>Months<br>% | 3-6<br>Months<br>% | 6-12<br>Months<br>% | 1-2<br>Years<br>% | 2-3<br>Years<br>% | 3-4<br>Years<br>% | 4-5<br>Years<br>% | Over 5<br>Years<br>% |
|----------------------------|-----------------------|--------------------|--------------------|---------------------|-------------------|-------------------|-------------------|-------------------|----------------------|
| Rate sensitive assets      | 8.6                   | 13.8               | 9.5                | 13.8                | 15.1              | 15.1              | 3.6               | 3.6               | 16.9                 |
| Rate sensitive liabilities | 8.1                   | 11.7               | 8.4                | 25.1                | 7.4               | 7.4               | 4.5               | 4.5               | 23.0                 |
| GAP                        | -0.5                  | -2.1               | -1.0               | 11.3                | -7.7              | -7.7              | 0.8               | 0.8               | 6.1                  |

| 2015                       | Up to 1<br>Month<br>% | 1-3<br>Months<br>% | 3-6<br>Months<br>% | 6-12<br>Months<br>% | 1-2<br>Years<br>% | 2-3<br>Years<br>% | 3-4<br>Years<br>% | 4-5<br>Years<br>% | Over 5<br>Years<br>% |
|----------------------------|-----------------------|--------------------|--------------------|---------------------|-------------------|-------------------|-------------------|-------------------|----------------------|
| Rate sensitive assets      | 13.9                  | 14.9               | 4.3                | 12.0                | 14.3              | 14.3              | 5.5               | 5.5               | 15.3                 |
| Rate sensitive liabilities | 14.6                  | 14.7               | 9.5                | 14.4                | 6.9               | 6.9               | 6.4               | 6.4               | 20.3                 |
| GAP                        | -0.7                  | 0.2                | -5.2               | -2.4                | 7.4               | 7.4               | -0.9              | -0.9              | -5.0                 |

### 58.4.3 Equity Risk

Equity risk is the risk that the fair value of equity portfolio decreases due to a change in the level of equity indices and individual stocks. Equity risk is monitored by stipulating overall portfolio limits and use of VaR methodology.

| Equity VaR  | 2016<br>LKR'000 | 2015<br>LKR'000 |
|-------------|-----------------|-----------------|
| Highest     | 151,146         | 201,966         |
| Lowest      | 117,168         | 124,690         |
| Average     | 134,170         | 155,150         |
| 31 December | 131,409         | 145,900         |

## 58.5 Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This includes legal risk, but excludes strategic risk and reputation risk.

The Bank recognises the significance of operational risk, which is inherent in all areas of business. The Bank seeks to minimise exposure to operational risk, through implementing improved management and control mechanisms.

Bank uses Basic Indicator Approach (BIA) to allocate capital for operational risk. Even though the capital allocated for operational risk was significant, the actual operational loss was far below the allocated capital.

## 58.6 Capital Management

The primary objective of capital management is to ensure maintenance of minimum regulatory capital requirement. The Bank ensures that adequate capital has been allocated to achieve strategic objectives and within the risk appetite of the Bank.

### 58.6.1 Capital Adequacy

Capital Adequacy Ratio (CAR) is a measure of the Bank's capital expressed as a percentage of risk-weighted assets of credit, market and operational aspects of the banking business. It is a measure of financial strength of the Bank which indicates its ability to maintain adequate capital to face with unforeseen scenarios.

Central Bank of Sri Lanka (CBSL) defines and monitors CAR to ensure that banks are not participating or holding investments that increase the risk of default and that they have enough capital to sustain operating losses and thereby maintaining confidence in the banking system.

The Bank calculates CAR based on International Convergence of Capital Measurement and Capital Standards, Revised framework, which is commonly known as Basel II framework. IIRMD actively and continuously monitor the CAR, while stressing rigorously for worst possible scenarios. ICAAP factors out all possible risks such as reputation risk, strategic risk, compliance risk, concentration risk and interest rate risk by banking book.

## 59. Comparative Information

Following comparative information of these Financial Statements are amended to conform to the current year's presentation.

|                                                                           | Bank |                                         |                               |                        | Group                                   |                               |                        |
|---------------------------------------------------------------------------|------|-----------------------------------------|-------------------------------|------------------------|-----------------------------------------|-------------------------------|------------------------|
|                                                                           | Note | As presented in this report<br>LKR '000 | Disclosed in 2015<br>LKR '000 | Adjustment<br>LKR '000 | As presented in this report<br>LKR '000 | Disclosed in 2015<br>LKR '000 | Adjustment<br>LKR '000 |
| <b>Statement of Profit or Loss</b>                                        |      |                                         |                               |                        |                                         |                               |                        |
| Interest income                                                           | 59.1 | 112,745,122                             | 114,158,754                   | (1,413,632)            | 117,083,894                             | 118,497,526                   | (1,413,632)            |
| Impairment charge/(reversal)<br>for loans and other losses                | 59.1 | 5,903,803                               | 7,317,435                     | (1,413,632)            | 6,365,954                               | 7,779,586                     | (1,413,632)            |
| Share of profits/(losses)<br>of associate companies                       | 59.2 | -                                       | -                             | -                      | 93,590                                  | 106,833                       | (13,243)               |
| Income tax expense                                                        | 59.2 | -                                       | -                             | -                      | 8,089,281                               | 8,102,524                     | (13,243)               |
| <b>Statement of Other Comprehensive Income</b>                            |      |                                         |                               |                        |                                         |                               |                        |
| Gains/(Losses) on remeasuring available for sale financial investments    |      |                                         |                               |                        |                                         |                               |                        |
|                                                                           | 59.3 | (1,299,873)                             | (1,303,645)                   | 3,772                  | (1,094,565)                             | (1,098,337)                   | 3,772                  |
| Realised gains on AFS financial investments transferred to profit or loss |      |                                         |                               |                        |                                         |                               |                        |
|                                                                           | 59.3 | (3,772)                                 | -                             | (3,772)                | (3,772)                                 | -                             | (3,772)                |

**59.1** Interest recognition on past due loans and advances under homogeneous category was changed during the year and accordingly comparative numbers are begin adjusted through interest income and impairment.

**59.2** Share of profit of associate companies was recognised on net of taxes instead of gross basis.

**59.3** Realised gains on AFS financial investments have been stated separately.

# Compliance Annexes

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## Compliance Requirements as per Banking Act Direction No. 11 of 2007

| Section      | Principle                                                                                                                                                                                                                                                              | Level of Compliance during the Year 2016                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|--------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>3 (1)</b> | <b>The Responsibilities of the Board</b>                                                                                                                                                                                                                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| 3 (1) (i)    | <p>The Board shall strengthen the safety and soundness of the bank by ensuring the implementation of the following:</p> <p>a. Approve and oversee the bank's strategic objectives and corporate values and ensure that these are communicated throughout the bank;</p> | <p>Complied with.</p> <p>Strategic objectives and values are incorporated in the Board-approved Corporate Plan for the period 2016-2018. These were communicated to all levels of staff through regular briefing sessions and at off-site discussion meetings, where the Corporate Plan was launched and reinforced by the Corporate Management Team. The Board-approved Corporate Plan for 2017-2019 is in place.</p> <p>The Corporate values are included in the Employee Handbook given to all employees which is also available on the intranet.</p>                                                                                                                                                                                                                                                                                                    |
|              | <p>b. Approve the overall business strategy of the bank, including the overall risk policy and risk management procedures and mechanisms with measurable goals, for at least the next three years;</p>                                                                 | <p>Complied with.</p> <p>The Bank's overall Business Strategy is included in the Corporate Plan 2016-2018 and the Action Plan for the same period which was approved by the Board. The risk appetite, policy, 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 also at off-site discussion meetings.</p>                                                                                                                                                                                                                                                                                                                                                                               |
|              | <p>c. Identify the principal risks and ensure implementation of appropriate systems to manage the risks prudently;</p>                                                                                                                                                 | <p>Complied with.</p> <p>The Board has appointed a Board Integrated Risk Management Committee tasked with approving the Bank's Risk Policy, defining the risk appetite, identifying principal risks, setting governance structures and implementing systems to measure, monitor and manage the principal risks.</p> <p>The Bank has implemented a process where the Board members discuss at length the risks arising out of new strategies and further the ways and means to mitigate such risks.</p> <p>A Board-approved Integrated Risk Management Policy covering all areas of risk is in place.</p> <p>The following reports also provide further details in this regard:</p> <ul style="list-style-type: none"> <li>■ Risk Management Report on pages 78 to 92.</li> <li>■ Integrated Risk Management Committee Report on pages 72 and 73.</li> </ul> |
|              | <p>d. Approve implementation of a policy of communication with all stakeholders, including depositors, creditors, shareholders and borrowers;</p>                                                                                                                      | <p>Complied with.</p> <p>Board has approved and implemented a Communication Policy covering all stakeholders which is reviewed periodically.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|              | <p>e. Review the adequacy and the integrity of the bank's internal control systems and management information systems;</p>                                                                                                                                             | <p>Complied with.</p> <p>The Board Audit Committee which reports to the Board is tasked with reviewing the adequacy and the integrity of the Bank's internal control system. The Board reviews the adequacy of Management Information Systems (MIS). This Committee reviewed reports from the Internal Audit Department which reports directly to the Audit Committee and from the External Auditors in carrying out this task. Internal Audit Department is tasked with information systems audits to assess the effectiveness of the MIS. The Board has reviewed the adequacy of the MIS and the Internal Control System.</p>                                                                                                                                                                                                                             |



| Section | Principle                                                                                                                                                                                                                                                                                                                                    | Level of Compliance during the Year 2016                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|---------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|         | f. Identify and designate Key Management Personnel;                                                                                                                                                                                                                                                                                          | Complied with.<br>In terms of the Central Bank of Sri Lanka guidelines dated 2 December 2015 and Banking Act Determination No. 3 of 2010, the Bank has identified the General Manager, Deputy General Managers, the Assistant General Managers and officers in allied grades as Key Management Personnel (KMP) of the Bank for Corporate Governance purposes.                                                                                                                                                 |
|         | g. Define the areas of authority and key responsibilities for the Board Directors themselves and for the Key Management Personnel;                                                                                                                                                                                                           | Complied with.<br>Areas of authority and key responsibilities have been defined for the Directors and Key Management Personnel during 2016 through the Board Charter and position descriptions respectively. Board Charter was reviewed.                                                                                                                                                                                                                                                                      |
|         | h. Ensure that there is appropriate oversight of the affairs of the bank by Key Management Personnel, that is consistent with Board policy;                                                                                                                                                                                                  | Complied with.<br>Performance against the Bank's Corporate Plan is reviewed by the Board based on the Action Plan.<br><br>Key Management Personnel make regular presentations to the Board and Subcommittees on matters under their purview and are also called in by the Board as and when needed to explain matters relating to their areas.                                                                                                                                                                |
|         | i. Periodically assess the effectiveness of the Board Directors' own governance practices, including:<br>(i) the selection, nomination and election of Directors and Key Management Personnel;<br>(ii) the management of conflicts of interests; and<br>(iii) the determination of weaknesses and implementation of changes where necessary; | Complied with.<br>Implementation of governance practices are reviewed periodically by the Nomination and Corporate Governance Committee and reported to the Board. A self-evaluation of the performance of the Board is carried out annually in relation to business strategy and contribution based on their field of expertise.                                                                                                                                                                             |
|         | j. Ensure that the bank has an appropriate succession plan for Key Management Personnel;                                                                                                                                                                                                                                                     | Complied with.<br>A Succession Plan for Key Management Personnel (viz. for the Corporate and Executive Management) is in place. This is reviewed by the Nomination & Corporate Governance Committee and submitted to the Board.                                                                                                                                                                                                                                                                               |
|         | k. Meet regularly, on a needs basis, with the Key Management Personnel to review policies, establish communication lines and monitor progress towards corporate objectives;                                                                                                                                                                  | Complied with.<br>Key Management Personnel regularly present or are called in for discussions at the meetings of the Board and its Subcommittees on policy and other matters relating to their areas. The performance review of the Corporate Plan is carried out at off-site locations with the participation of the management.                                                                                                                                                                             |
|         | l. Understand the regulatory environment and ensure that the bank maintains an effective relationship with regulators;                                                                                                                                                                                                                       | Complied with.<br>On appointment as Directors, the Board is furnished with all applicable regulatory requirements. They are also briefed about developments in the regulatory environment at Board meetings to ensure that their knowledge is updated regularly to facilitate effective discharge of their responsibilities.<br><br>Compliance reports submitted to Central Bank of Sri Lanka which includes all returns to regulators are presented to the Board monthly and monitored closely by the Board. |
|         | m. Exercise due diligence in the hiring and oversight of External Auditors.                                                                                                                                                                                                                                                                  | Complied with.<br>As provided for in the Constitution of the country, the Auditor General is the External Auditor of the Bank as it is a State-Owned Enterprise.                                                                                                                                                                                                                                                                                                                                              |

| Section     | Principle                                                                                                                                                                                                                                                                                                                                                                                      | Level of Compliance during the Year 2016                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
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| 3 (1) (ii)  | The Board shall appoint the Chairman and the Chief Executive Officer and define and approve the functions and responsibilities of the Chairman and the Chief Executive Officer in line with Direction 3 (5) of these Directions.                                                                                                                                                               | <p>Complied with when read in conjunction with Direction No. 3 (9) (ii).</p> <p>The Board appoints the Chief Executive Officer referred to as the General Manager in the Bank of Ceylon with the approval of the Minister under whose purview the Bank falls and the Chairman is appointed by the said Minister in terms of the Bank of Ceylon Ordinance No. 53 of 1938 and its amendments.</p> <p>The Board has also approved their functions and responsibilities maintaining the balance of power between the two roles through the Board Charter.</p> |
| 3 (1) (iii) | The Board shall meet regularly and Board meetings shall be held at least twelve times a year at approximately monthly intervals. Such regular Board meetings shall normally involve active participation in person of a majority of Directors entitled to be present. Obtaining the Board's consent through the circulation of written resolutions/papers shall be avoided as far as possible. | <p>Complied with.</p> <p>Regular fortnightly Board meetings are held and special meetings are scheduled as and when the need arises. During the year under review the Board met 28 times.</p> <p>The Bank has minimised obtaining approval via circular resolutions and it is done only on an exceptional basis and such resolutions are ratified by the Board at the next meeting. During the year 2016 five resolutions have been passed by circulation.</p>                                                                                            |
| 3 (1) (iv)  | The Board shall ensure that arrangements are in place to enable all Directors to include matters and proposals in the agenda for regular Board meetings where such matters and proposals relate to the promotion of business and the management of risks of the bank.                                                                                                                          | <p>Complied with.</p> <p>Meetings are scheduled and the Board is informed at the beginning of the each calendar year to enable submission of proposals to the agenda for regular meetings.</p>                                                                                                                                                                                                                                                                                                                                                            |
| 3 (1) (v)   | The Board procedures shall ensure that notice of at least seven days is given of a regular Board meeting to provide all Directors an opportunity to attend. For all other Board meetings, reasonable notice may be given.                                                                                                                                                                      | <p>Complied with.</p> <p>Notice of meetings are given through an Annual Calendar at the beginning of the year. Agenda and Board papers for the Board meetings are circulated to the Directors seven days prior to the meetings through a secure eSolution.</p> <p>Reasonable notice is given before any special meeting.</p>                                                                                                                                                                                                                              |
| 3 (1) (vi)  | The Board procedures shall ensure that a Director who has not attended at least two-thirds of the meetings in the period of 12 months immediately preceding or has not attended the immediately preceding three consecutive meetings held, shall cease to be a Director. Participation at the Directors' meetings through an alternate Director shall, however, be acceptable as attendance.   | <p>The Directors are apprised of their attendance in accordance with the Corporate Governance Code. Details of the Directors' attendance are set out on page 66 No Director has been absent for three consecutive meetings during the year 2016.</p>                                                                                                                                                                                                                                                                                                      |
| 3 (1) (vii) | The Board shall appoint a Company Secretary who satisfies the provisions of Section 43 of the banking Act No. 30 of 1988, whose primary responsibilities shall be to handle the secretariat services to the Board and shareholder meetings and to carry out other functions specified in the statutes and other regulations.                                                                   | <p>Complied with.</p> <p>The Secretary, Bank of Ceylon/Secretary to the Board is an Attorney-at-Law, whose credentials/qualifications are in compliance with the provisions of Section 43 of the Banking Act No.30 of 1988 and its amendments. She is primarily responsible for handling the secretariat services to the Board and carrying out other functions specified in the statutes and other regulations.</p>                                                                                                                                      |

| Section      | Principle                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Level of Compliance during the Year 2016                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
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| 3 (1) (viii) | All Directors shall have access to advice and services of the Company Secretary with a view to ensuring that Board procedures and all applicable rules and regulations are followed.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Complied with.<br>All members of the Board have the opportunity to obtain the advice and services of the Secretary to the Board who is an Attorney-at-Law and who is responsible to the Board for follow up of Board procedures, compliance with rules and regulations, directions and statutes and keeping and maintaining minutes and relevant records of the Bank.                                                                                                                                                                                                                                                                        |
| 3 (1) (ix)   | The Company Secretary shall maintain the minutes of Board meetings and such minutes shall be open for inspection at any reasonable time, on reasonable notice by any Director.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Complied with.<br>The Secretary, Bank of Ceylon/Secretary to the Board maintains the minutes of the Board meetings and circulates same to all Board Members through a secure eSolution. The minutes are approved at the subsequent Board meeting. Additionally, the Directors have access to the past Board papers and minutes through a secure electronic link.                                                                                                                                                                                                                                                                             |
| 3 (1) (x)    | Minutes of Board meetings shall be recorded in sufficient detail so that it is possible to gather from the minutes, as to whether the Board acted with due care and prudence in performing its duties. The minutes shall also serve as a reference for regulatory and supervisory authorities to assess the depth of deliberations at the Board meetings. Therefore, the minutes of a Board meeting shall clearly contain or refer to the following:<br>a. a summary of data and information used by the Board in its deliberations;<br>b. the matters considered by the Board;<br>c. the fact-finding discussions and the issues of contention or dissent which may illustrate whether the Board was carrying out its duties with due care and prudence;<br>d. the testimonies and confirmations of relevant executives which indicate compliance with the Board's strategies and policies and adherence to relevant laws and regulations;<br>e. the Board's knowledge and understanding of the risks to which the bank is exposed and an overview of the risk management measures adopted; and<br>f. the decisions and Board resolutions. | Complied with.<br>Minutes of the meetings are kept covering the given criteria.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| 3 (1) (xi)   | There shall be a procedure agreed by the Board to enable Directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the bank's expense. The Board shall resolve to provide separate independent professional advice to Directors to assist the relevant Director or Directors to discharge his/her/their duties to the bank.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Complied with.<br>A Policy for Directors' Access to Independent Professional Advice is in place and the Directors are able to obtain independent professional advice when deemed necessary.                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| 3 (1) (xii)  | Directors shall avoid conflicts of interests, or the appearance of conflicts of interest, in their activities with, and commitments to, other organisations or related parties. If a Director has a conflict of interest in a matter to be considered by the Board, which the Board has determined to be material, the matter should be dealt with at a Board meeting, where Independent Non-Executive Directors [refer to Direction 3 (2) (iv) of these Directions] who have no material interest in the transaction, are present. Further, a Director shall abstain from voting on any Board resolution in relation to which he/she or any of his/her close relation or a concern, in which a Director has substantial interest, is interested and he/she shall not be counted in the quorum for the relevant agenda item at the Board meeting.                                                                                                                                                                                                                                                                                           | Complied with.<br>The Directors are conscious of their obligation to deal with a situation when there is a conflict of interest in accordance with applicable regulations. A Board approved Policy on Conflict of Interest is in place. As a practice at every Board meeting (held on a fortnightly basis) Directors are required to declare any interest in contracts/new appointments to any other Board or Institution. Directors abstain from participating in the discussions, voicing their opinion or approving in situations where there is a conflict of interest and such Director is not counted in the quorum in such instances. |

| Section      | Principle                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Level of Compliance during the Year 2016                                                                                                                                                                                                                                                                                                             |
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| 3 (1) (xiii) | The Board shall have a formal schedule of matters specifically reserved to it for decision to ensure that the Direction and control of the bank is firmly under its authority.                                                                                                                                                                                                                                                                                                                                                                                             | Complied with.<br>Powers Reserved for the Board are included in the Board Charter which was reviewed.                                                                                                                                                                                                                                                |
| 3 (1) (xiv)  | The Board shall, if it considers that the Bank is, or is likely to be, unable to meet its obligations or is about to become insolvent or is about to suspend payments due to depositors and other creditors, forthwith inform the Director of bank Supervision of the situation of the bank prior to taking any decision or action.                                                                                                                                                                                                                                        | Such a situation has not arisen during the year 2016. Monthly Financial Statements submitted to the Board assures the Board of the Bank's solvency.                                                                                                                                                                                                  |
| 3 (1) (xv)   | The Board shall ensure that the Bank is capitalised at levels as required by the Monetary Board in terms of the Capital Adequacy Ratio and other prudential grounds.                                                                                                                                                                                                                                                                                                                                                                                                       | The Board ensures that the Bank is capitalised at levels as required by the Monetary Board in terms of the Capital Adequacy Ratio (CAR) and other prudential grounds. Capital Augmentation Plan is submitted to the Board on quarterly basis.<br><br>Calculation of CAR is submitted to the Board with the monthly Financial Statements of the Bank. |
| 3 (1) (xvi)  | The Board shall publish in the Bank's Annual Report, an annual Corporate Governance Report setting out the compliance with Direction 3 of these Directions.                                                                                                                                                                                                                                                                                                                                                                                                                | Complied with.<br>These disclosures are part of the Corporate Governance Report in the Bank's Annual Report.                                                                                                                                                                                                                                         |
| 3 (1) (xvii) | The Board shall adopt a scheme of self-assessment to be undertaken by each Director annually, and maintain records of such assessments.                                                                                                                                                                                                                                                                                                                                                                                                                                    | Complied with.<br>A scheme of self-assessment is adopted. The self-assessment reports of the Board is maintained by the Secretary, Bank of Ceylon/Secretary to the Board.                                                                                                                                                                            |
| <b>3 (2)</b> | <b>The Board's Composition</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                                                                                                                                                                                                                                                                                                                      |
| 3 (2) (i)    | The number of Directors on the Board shall not be less than 7 and not more than 13.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | According to the Bank of Ceylon Ordinance No. 53 of 1938 and its amendments the number of Directors permitted on the Board is six and the present Board consists of six Directors.<br><br>Bank is in the process of amending the said Bank of Ceylon Ordinance to accommodate the said requirement of the Direction.                                 |
| 3 (2) (ii)   | a. The total period of service of a Director other than a Director who holds the position of Chief Executive Officer shall not exceed nine years, and such period in office shall be inclusive of the total period of service served by such Director up to 1 January 2008.<br><br>b. In this context, the following general exemption shall apply:<br>A Director who has completed nine years as at 1 January 2008, or who completes such term at any time prior to 31 December 2008, may continue for a further maximum period of three years commencing 1 January 2009. | Complied with.<br>Present Directors of Bank of Ceylon have been in office for a period less than nine years.<br><br>Details of their appointments are given on pages 36 to 41 of this Annual Report.<br><br>Not applicable.                                                                                                                          |
| 3 (2) (iii)  | An employee of a bank may be appointed, elected or nominated as a Director of the bank (hereinafter referred to as an 'Executive Director') provided that the number of Executive Directors shall not exceed one-third of the number of Directors of the Board. In such an event, one of the Executive Directors shall be the Chief Executive Officer of the bank.                                                                                                                                                                                                         | Complied with.<br>There are no Executive Directors in Bank of Ceylon.                                                                                                                                                                                                                                                                                |

| Section     | Principle                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Level of Compliance during the Year 2016                                                                                                                                                                                                                                                                                                              |
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| 3 (2) (iv)  | <p>The Board shall have at least three Independent Non-Executive Directors or one-third of the total number of Directors, whichever is higher. This sub-direction shall be applicable from 1 January 2010 onwards.</p> <p>A Non-Executive Director shall not be considered independent if he/she:</p> <ol style="list-style-type: none"> <li>has direct and indirect shareholdings of more than 1% of the bank;</li> <li>currently has or had during the period of two years immediately preceding his/her appointment as director, any business transactions with the bank as described in Direction No. 3 (7) hereof, exceeding 10% of the regulatory capital of the bank;</li> <li>has been employed by the bank during the two year period immediately preceding the appointment as Director;</li> <li>has a close relation who is a Director or Chief Executive Officer or a member of Key Management Personnel or a material shareholder of the bank or another bank. For this purpose, a 'close relation' shall mean the spouse or a financially dependant child;</li> <li>represents a specific stakeholder of the bank;</li> <li>is an employee or a Director or a material shareholder in a Company or business organisation: <ol style="list-style-type: none"> <li>which currently has a transaction with the bank as defined in Direction No. 3 (7) of these Directions, exceeding 10% of the regulatory capital of the bank, or</li> <li>in which any of the other Directors of the bank are employed or are Directors or are material shareholders; or</li> <li>in which any of the other Directors of the bank have a transaction as defined in Direction No. 3 (7) of these Directions, exceeding 10% of regulatory capital in the bank;</li> </ol> </li> </ol> | <p>Complied with.</p> <p>The entire Board of Bank of Ceylon consists of six Non-Executive Directors. Out of them five are identified as Independent Directors based on the criteria specified in this Direction.</p> <p>They are identified on pages 36 to 41 with the Profiles of the Directors and also under Direction No. 3 (2) (viii) below.</p> |
| 3 (2) (v)   | <p>In the event an Alternate Director is appointed to represent an Independent Director, the person so appointed shall also meet the criteria that applies to the Independent Director.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | <p>No Alternate Director was appointed to represent any Director.</p>                                                                                                                                                                                                                                                                                 |
| 3 (2) (vi)  | <p>Non-Executive Directors shall be persons with credible track records and/or have necessary skills and experience to bring an independent judgment to bear on issues of strategy, performance and resources.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | <p>Complied with.</p> <p>Present Directors' Profiles appearing on pages 36 to 41 spell out the necessary information.</p>                                                                                                                                                                                                                             |
| 3 (2) (vii) | <p>A meeting of the Board shall not be duly constituted, although the number of Directors required to constitute the quorum at such meeting is present, unless more than one half of the number of Directors present at such meeting are Non-Executive Directors. This sub-direction shall be applicable from 1 January 2010 onwards.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | <p>Complied with.</p> <p>All the Board Members of Bank of Ceylon are Non-Executive.</p>                                                                                                                                                                                                                                                               |

| Section      | Principle                                                                                                                                                                                                                                                                                                                                                                                                                                    | Level of Compliance during the Year 2016                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
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| 3 (2) (viii) | The Independent Non-Executive Directors shall be expressly identified as such in all corporate communications that disclose the names of Directors of the bank. The bank shall disclose the composition of the Board, by category of Directors, including the names of the Chairman, Executive Directors, Non-Executive Directors and Independent Non-Executive Directors in the annual Corporate Governance Report.                         | <p>Complied with.</p> <p>During the year 2016 the Board consisted of the following members –</p> <ul style="list-style-type: none"> <li>■ Mr Ronald C Perera, PC<br/>Independent Non-Executive Director</li> <li>■ Ms. Pushpa Wellapili<br/>Non-Executive Ex officio Director<br/>(Ceased to be a Director with her retirement from the Government Service on 31 March 2016)</li> <li>■ Mr Sajith R Attygalle<br/>Non-Executive Ex officio Director<br/>(Appointed with effect from 27 April 2016 in place of Ms Wellappili)</li> <li>■ Mr Ranel T Wijesinha<br/>Independent Non-Executive Director</li> <li>■ Mr Charitha N Wijewardane<br/>Independent Non-Executive Director</li> <li>■ Mr Sanjaya Padmaperuma<br/>Independent Non-Executive Director</li> <li>■ Mr H P Ajith Gunawardana<br/>Independent Non-Executive Director</li> </ul> |
| 3 (2) (ix)   | There shall be a formal, considered and transparent procedure for the appointment of new Directors to the Board. There shall also be procedures in place for the orderly succession of appointments to the Board                                                                                                                                                                                                                             | Appointments to the Board are made by the shareholder, the Government of Sri Lanka through Minister under whose purview the Bank falls under in terms of the provisions of Bank of Ceylon Ordinance No. 53 of 1938 and its amendments.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| 3 (2) (x)    | All Directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first General Meeting after their appointment.                                                                                                                                                                                                                                                                                          | This does not arise since the relevant Minister appoints them.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| 3 (2) (xi)   | <p>If a Director resigns or is removed from office, the Board shall:</p> <p>a. announce the Director’s resignation or removal and the reasons for such removal or resignation including but not limited to information relating to the relevant Director’s disagreement with the bank, if any; and</p> <p>b. issue a statement confirming whether or not there are any matters that need to be brought to the attention of shareholders.</p> | <p>Complied with.</p> <p>The Government of Sri Lanka, the sole shareholder does the appointments as well as the removals through the Minister in charge of the subject of Finance. Any resignation is also referred to the same Minister. The Central Bank of Sri Lanka and the Colombo Stock Exchange are kept informed of the resignations.</p> <p>During the year under review Ms Pushpa Wellapili Non-Executive Ex officio Director ceased to be a Director with her retirement from the Government Service on 31 March 2016.</p>                                                                                                                                                                                                                                                                                                          |
| 3 (2) (xii)  | A Director or an employee of a bank shall not be appointed, elected or nominated as a Director of another bank except where such bank is a subsidiary company or an associate company of the first mentioned bank.                                                                                                                                                                                                                           | Neither Directors nor employees of Bank of Ceylon are Directors of another Bank, other than for the appointment of a Deputy General Manager to the <i>Pradeshiya Sanwardana</i> Bank as per the requirements of the enabling enactments of this Bank ( <i>Pradeshiya Sanwardana</i> Bank Act No. 41 of 2008).                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |

| Section      | Principle                                                                                                                                                                                                                                                                                                                                                                                                             | Level of Compliance during the Year 2016                                                                                                                                                                                                                                                                                                                                              |
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| <b>3 (3)</b> | <b>Criteria to Assess the Fitness and Propriety of Directors</b>                                                                                                                                                                                                                                                                                                                                                      |                                                                                                                                                                                                                                                                                                                                                                                       |
| 3 (3) (i)    | The age of a person who serves as Director shall not exceed 70 years.<br><br>In this context, the following general exemption shall apply:<br>A Director who has reached the age of 70 years as at 1 January 2008 or who would reach the age of 70 years prior to 31 December 2008 may continue in office for a further maximum period of three years commencing 1 January 2009.                                      | Complied with.<br>None of the Directors of the Bank are over 70 years of age.                                                                                                                                                                                                                                                                                                         |
| 3 (3) (ii)   | A person shall not hold office as a Director of more than 20 companies/entities/institutions inclusive of subsidiaries or associate companies of the bank.                                                                                                                                                                                                                                                            | Complied with.<br>No Director holds directorships of more than 20 companies/entities.                                                                                                                                                                                                                                                                                                 |
| <b>3 (4)</b> | <b>Management Functions Delegated by the Board</b>                                                                                                                                                                                                                                                                                                                                                                    |                                                                                                                                                                                                                                                                                                                                                                                       |
| 3 (4) (i)    | The Directors shall carefully study and clearly understand the delegation arrangements in place.                                                                                                                                                                                                                                                                                                                      | The Board periodically reviews and approves the delegation arrangements in place and ensures that the extent of delegation addresses the needs of the Bank whilst enabling the Board to discharge their functions effectively.                                                                                                                                                        |
| 3 (4) (ii)   | The Board shall not delegate any matters to a Board Committee, Chief Executive Officer, Executive Directors or Key Management Personnel, to an extent that such delegation would significantly hinder or reduce the ability of the board as a whole to discharge its functions.                                                                                                                                       | The provisions in the governing ordinance are considered in this process.                                                                                                                                                                                                                                                                                                             |
| 3 (4) (iii)  | The Board shall review the delegation processes in place on a periodic basis to ensure that they remain relevant to the needs of the bank.                                                                                                                                                                                                                                                                            |                                                                                                                                                                                                                                                                                                                                                                                       |
| <b>3 (5)</b> | <b>The Chairman and Chief Executive Officer</b>                                                                                                                                                                                                                                                                                                                                                                       |                                                                                                                                                                                                                                                                                                                                                                                       |
| 3 (5) (i)    | The roles of Chairman and Chief Executive Officer shall be separate and shall not be performed by the same individual.                                                                                                                                                                                                                                                                                                | Complied with.<br>The positions of the Chairman and the Chief Executive Officer referred to as the General Manager in Bank of Ceylon are held by two different individuals.<br><br>A Board Charter is in place defining the responsibilities of the Chairman and the General Manager.                                                                                                 |
| 3 (5) (ii)   | The Chairman shall be a Non-Executive Director and preferably an Independent Director as well. In the case where the Chairman is not an Independent Director, the Board shall designate an Independent Director as the Senior Director with suitably documented Terms of Reference to ensure a greater independent element. The designation of the Senior Director shall be disclosed in the bank's Annual Report.    | Complied with.<br>The Chairman of Bank of Ceylon is an Independent Non-Executive Director and as such the need to appoint a Senior Independent Director does not arise.                                                                                                                                                                                                               |
| 3 (5) (iii)  | The Board shall disclose in its Corporate Governance Report, which shall be an integral part of its Annual Report, the identity of the Chairman and the Chief Executive Officer and the nature of any relationship [including financial, business, family or other material/relevant relationship(s)], if any, between the Chairman and the Chief Executive Officer and the relationships among members of the Board. | Complied with.<br>The identity of the Chairman and the General Manager are disclosed in the Annual Report on pages 38 to 44 there are many references to these roles throughout.<br><br>There are no material, financial, business or family relationships between the Chairman, General Manager and other members of the Board as per annual declarations taken as at year end 2016. |

| Section      | Principle                                                                                                                                                                                                                                                                                                    | Level of Compliance during the Year 2016                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
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| 3 (5) (iv)   | The Chairman shall: (a) provide leadership to the Board; (b) ensure that the board works effectively and discharges its responsibilities; and (c) ensure that all key and appropriate issues are discussed by the Board in a timely manner.                                                                  | Complied with.<br>The Chairman provides leadership to the Board and ensures that the Board functions effectively in discharging its responsibilities. The Board in a timely manner deliberates all key issues.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| 3 (5) (v)    | The Chairman shall be primarily responsible for drawing up and approving the agenda for each Board meeting, taking into account where appropriate, any matters proposed by the other Directors for inclusion in the agenda. The Chairman may delegate the drawing up of the agenda to the Company Secretary. | Complied with.<br>The Secretary, Bank of Ceylon/Secretary to the Board draws up the agenda under the authority delegated by the Chairman based on the memoranda submitted through the General Manager and any other relevant items proposed by any Board member.                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| 3 (5) (vi)   | The Chairman shall ensure that all Directors are properly briefed on issues arising at Board meetings and also ensure that Directors receive adequate information in a timely manner.                                                                                                                        | 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: <ul style="list-style-type: none"> <li>■ Board papers are circulated seven days prior to the Board meetings through a secured electronic link.</li> <li>■ Relevant members of the management team are on hand for explanation and clarifications.</li> <li>■ Management information is provided in agreed formats on a regular basis to enable Directors to assess the performance and stability of the Bank.</li> <li>■ Directors are able to seek independent professional advice on a needs basis at the Bank's expense.</li> </ul> |
| 3 (5) (vii)  | The Chairman shall encourage all Directors to make a full and active contribution to the Board's affairs and take the lead to ensure that the Board acts in the best interests of the bank.                                                                                                                  | Complied with.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| 3 (5) (viii) | The Chairman shall facilitate the effective contribution of Non-Executive Directors in particular and ensure constructive relations between Executive and Non-Executive Directors.                                                                                                                           | Complied with.<br>The entire Board consists of all Non-Executive Directors.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| 3 (5) (ix)   | The Chairman, shall not engage in activities involving direct supervision of Key Management Personnel or any other executive duties whatsoever.                                                                                                                                                              | Complied with.<br>Chairman is an Independent Non-Executive Director and does not get involved in the direct supervision of Key Management Personnel or any other executive duties.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| 3 (5) (x)    | The Chairman shall ensure that appropriate steps are taken to maintain effective communication with shareholders and that the views of shareholders are communicated to the Board.                                                                                                                           | Complied with.<br>Effective communication is maintained with the Government of Sri Lanka who is the sole shareholder. The Ex officio Director acts as the channel between the Board and the shareholder.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| 3 (5) (xi)   | Chief Executive Officer shall function as the apex executive-in-charge of the day-to-day management of the bank's operations and business.                                                                                                                                                                   | Complied with.<br>The day-to-day operations of the Bank is the responsibility of the General Manager. The Board Charter specifically refers to such authority of the General Manager.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |



| Section      | Principle                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Level of Compliance during the Year 2016                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
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| <b>3 (6)</b> | <b>Board Appointed Committees</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| 3 (6) (i)    | Each bank shall have at least four board committees as set out in Directions 3 (6) (ii), 3 (6) (iii), 3 (6) (iv) and 3 (6) (v) of these Directions. Each committee shall report directly to the Board. All committees shall appoint a secretary to arrange the meetings and maintain minutes, records, etc., under the supervision of the Chairman of the committee. The Board shall present a report of the performance on each committee, on their duties and roles at the Annual General Meeting.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | <p>Complied with.</p> <p>Four Subcommittees of the Board (viz. Audit, Human Resources and Remuneration, Nomination and Corporate Governance and Integrated Risk Management) have been established as required under this Direction which are reporting directly to the Board. The Terms of Reference for each Subcommittee is in place and are reviewed annually.</p> <p>The Secretary, Bank of Ceylon/Secretary to the Board serves as Secretary to all Subcommittees and maintains minutes etc. with oversight by the respective Chairpersons.</p> <p>The reports of the Subcommittees are included in this Annual Report.</p> <p>Audit Committee on pages 69 to 71.</p> <p>Integrated Risk Management Committee on pages 72 and 73.</p> <p>Human Resources and Remuneration Committee on pages 74 and 75.</p> <p>Nomination and Corporate Governance Committee on pages 76 and 77.</p> <p>The Government being the sole shareholder, the Annual Report of the Bank is submitted to the Parliament of Sri Lanka and to the relevant Ministries.</p> |
| 3 (6) (ii)   | <p>The following rules shall apply in relation to the <b>Audit Committee</b>:</p> <p>a. The Chairman of the Committee shall be an Independent Non-Executive Director who possesses qualifications and experience in accountancy and/or audit.</p> <p>b. All members of the Committee shall be Non-Executive Directors.</p> <p>c. The Committee shall make recommendations on matters in connection with:</p> <p>(i) the appointment of the External Auditor for audit services to be provided in compliance with the relevant statutes;</p> <p>(ii) the implementation of the Central bank Guidelines issued to Auditors from time to time;</p> <p>(iii) the application of the relevant accounting standards; and</p> <p>(iv) the service period, audit fee and any resignation or dismissal of the Auditor; provided 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.</p> <p>d. The Committee shall review and monitor the External Auditor's independence and objectivity and the effectiveness of the audit processes in accordance with applicable standards and best practices.</p> | <p>Complied with.</p> <p>The Chairman of the Audit Committee is an Independent Non-Executive Director who has required qualifications as indicated under the profiles on page 39.</p> <p>Complied with.</p> <p>All members of the Committee are Non-Executive Directors.</p> <p>Complied with.</p> <p>In accordance with the Terms of Reference, the Audit Committee makes the following recommendations among many others:</p> <ul style="list-style-type: none"> <li>■ The implementation of the Central Bank Guidelines issued to Auditors from time to time.</li> <li>■ The application of the relevant accounting standards.</li> </ul> <p>Since the Auditor General is the External Auditor of the Bank, the Committee has no role to play in the engagement of the External Auditor.</p> <p>Complied with.</p> <p>The Bank's Auditor being the Auditor General, his independence and effectiveness is guaranteed under the Constitution of Sri Lanka.</p>                                                                                      |

| Section | Principle                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Level of Compliance during the Year 2016                                                                                                                                                                                                                                                                                                                                                                                     |
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| e.      | <p>The Committee shall develop and implement a policy on the engagement of an External Auditor to provide non-audit services that are permitted under the relevant statutes, regulations, requirements and guidelines. In doing so, the committee shall ensure that the provision by an external Auditor of non-audit services does not impair the External Auditor's independence or objectivity. When assessing the External Auditor's independence or objectivity in relation to the provision of non-audit services, the Committee shall consider:</p> <ul style="list-style-type: none"> <li>(i) whether the skills and experience of the audit firm make it a suitable provider of the non-audit services;</li> <li>(ii) whether there are safeguards in place to ensure that there is no threat to the objectivity and/or independence in the conduct of the audit resulting from the provision of such services by the External Auditor; and</li> <li>(iii) whether the nature of the non-audit services, the related fee levels and the fee levels individually and in aggregate relative to the audit firm, pose any threat to the objectivity and/or independence of the External Auditor.</li> </ul> | <p>Complied with.<br/>This does not arise since the Auditor General is the Auditor of the Bank.</p>                                                                                                                                                                                                                                                                                                                          |
| f.      | <p>The Committee shall, before the audit commences, discuss and finalise with the External Auditors the nature and scope of the audit, including:</p> <ul style="list-style-type: none"> <li>(i) an assessment of the bank's compliance with the relevant Directions in relation to corporate governance and the management's internal controls over financial reporting;</li> <li>(ii) the preparation of Financial Statements for external purposes in accordance with relevant accounting principles and reporting obligations; and</li> <li>(iii) the co-ordination between firms where more than one audit firm is involved.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | <p>Complied with.<br/>The scope and the extent of audit have been determined by the Auditor General and it is stated that M/s Ernst &amp; Young, Chartered Accountants (E&amp;Y) who assist the Auditor General can make further changes/amendments to the scope having considered the volume and risk associated.<br/><br/>E&amp;Y presented the Audit Plan for year 2016 and the Committee discussed and agreed to it.</p> |
| g.      | <p>The Committee shall review the financial information of the bank, in order to monitor the integrity of the Financial Statements of the bank, its Annual Report, accounts and quarterly reports prepared for disclosure, and the significant financial reporting judgments contained therein. In reviewing the bank's Annual Report and accounts and quarterly reports before submission to the Board, the Committee shall focus particularly on:</p> <ul style="list-style-type: none"> <li>(i) major judgmental areas;</li> <li>(ii) any changes in accounting policies and practices;</li> <li>(iii) significant adjustments arising from the audit;</li> <li>(iv) the going concern assumption; and</li> <li>(v) the compliance with relevant accounting standards and other legal requirements.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                | <p>Complied with.<br/>There is a continuing process carried out in reviewing monthly, quarterly and annual financials of the Bank by the Committee and recommendations are made to the Board.</p>                                                                                                                                                                                                                            |
| h.      | <p>The Committee shall discuss issues, problems and reservations arising from the interim and final audits, and any matters the Auditor may wish to discuss including those matters that may need to be discussed in the absence of Key Management Personnel, if necessary.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | <p>Complied with.<br/>The Committee discusses issues, problems and reservations arising from the interim and final audits. The representative of the Auditor General was present at the Committee meetings along with the representatives of E&amp;Y who assisted the Auditor General. The Committee on one occasion met the External Auditors without the presence of the executives of the Bank.</p>                       |

| Section | Principle                                                                                                                                                                                                                                                                                                                                                                                  | Level of Compliance during the Year 2016                                                                                                                                                                                                                                                                                                                                                                                                               |
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|         | i. The Committee shall review the External Auditor's management letter and the management's response thereto.                                                                                                                                                                                                                                                                              | Complied with.<br>The Committee reviewed the External Auditor's Management Letter and the management responses thereto and follow up action taken accordingly.                                                                                                                                                                                                                                                                                         |
|         | j. The Committee shall take the following steps with regard to the internal audit function of the bank:                                                                                                                                                                                                                                                                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|         | (i) Review the adequacy of the scope, functions and resources of the Internal Audit Department, and satisfy itself that the Department has the necessary authority to carry out its work;                                                                                                                                                                                                  | Complied with.                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|         | (ii) Review the internal audit programme and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the Internal Audit Department;                                                                                                                                                                                | Complied with.                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|         | (iii) Review any appraisal or assessment of the performance of the head and senior staff members of the Internal Audit Department;                                                                                                                                                                                                                                                         | Complied with.<br>Performance Appraisal of Chief Internal Auditor and the work process and results of the internal audit function have been evaluated by the Audit Committee. Performance evaluation of senior staff is carried out according to the Board-approved evaluation process by the Chief Internal Auditor and is tabled before the Audit Committee.                                                                                         |
|         | (iv) Recommend any appointment or termination of the head, senior staff members and outsourced service providers to the internal audit function;                                                                                                                                                                                                                                           | Complied with.                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|         | (v) Ensure that the Committee is appraised of resignations of senior staff members of the Internal Audit Department including the Chief Internal Auditor and any outsourced service providers, and to provide an opportunity to the resigning senior staff members and outsourced service providers to submit reasons for resigning;                                                       | Complied with.<br>Such a situation has not arisen during the year.                                                                                                                                                                                                                                                                                                                                                                                     |
|         | (vi) Ensure that the internal audit function is independent of the activities it audits and that it is performed with impartiality, proficiency and due professional care;                                                                                                                                                                                                                 | Complied with.<br>According to the Organisation Structure of the Bank, the Chief Internal Auditor reports directly to the Board through the Audit Committee and he is independent of any operations of the Bank.                                                                                                                                                                                                                                       |
|         | k. The Committee shall consider the major findings of internal investigations and management's responses thereto;                                                                                                                                                                                                                                                                          | Complied with.<br>The Audit Committee has reviewed the major findings of internal investigations and management responses thereto.                                                                                                                                                                                                                                                                                                                     |
|         | l. The Chief Finance Officer, the Chief Internal Auditor and a representative of the External Auditors may normally attend meetings. Other Board members and the Chief Executive Officer may also attend meetings upon the invitation of the Committee. However, at least twice a year, the Committee shall meet with the External Auditors without the Executive Directors being present. | Complied with.<br>The General Manager, Chief Financial Officer, Chief Risk Officer, Chief Internal Auditor, Compliance Officer, representative of the Auditor General and the representatives of E&Y who are appointed to assist the Auditor General participate at all Committee meetings.<br><br>Other Board members attend meetings upon the invitation of the Committee. Members of the management are invited for any explanations, if necessary. |

| Section     | Principle                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Level of Compliance during the Year 2016                                                                                                                                                                                                                                                                                                                                                                                                                 |
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|             | <p>m. The Committee shall have:</p> <ul style="list-style-type: none"> <li>(i) explicit authority to investigate into any matter within its terms of reference;</li> <li>(ii) the resources which it needs to do so;</li> <li>(iii) full access to information; and</li> <li>(iv) authority to obtain external professional advice and to invite outsiders with relevant experience to attend, if necessary.</li> </ul>                                                                            | <p>Complied with.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|             | <p>n. The Committee shall meet regularly, with due notice of issues to be discussed and shall record its conclusions in discharging its duties and responsibilities.</p>                                                                                                                                                                                                                                                                                                                           | <p>Complied with.</p> <p>The Audit Committee has scheduled regular meetings. Additional meetings are convened when required.</p> <p>The Committee met 15 times during the year. The members of the Committee are served with due notice of issues to be discussed and the conclusions in discharging its duties and responsibilities are recorded in the minutes of the meetings maintained by the Secretary to the Board/Secretary, Bank of Ceylon.</p> |
|             | <p>o. The Board shall disclose in an informative way,</p> <ul style="list-style-type: none"> <li>(i) details of the activities of the Audit Committee;</li> <li>(ii) the number of Audit Committee meetings held in the year; and</li> <li>(iii) details of attendance of each individual Director at such meetings.</li> </ul>                                                                                                                                                                    | <p>Complied with.</p> <p>Activities of the Committee are reported in Audit Committee Report on pages 69 to 71.</p> <p>The Committee met 15 times during the year 2016 and details of attendance are given on page 66.</p>                                                                                                                                                                                                                                |
|             | <p>p. The secretary of the Committee (who may be the Company Secretary or the head of the Internal Audit function) shall record and keep detailed minutes of the Committee meetings.</p>                                                                                                                                                                                                                                                                                                           | <p>Complied with.</p> <p>Minutes are maintained by the Secretary to the Board/Secretary, Bank of Ceylon who is also the Secretary to the Committee.</p>                                                                                                                                                                                                                                                                                                  |
|             | <p>q. The Committee shall review arrangements by which employees of the bank may, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters. Accordingly, the Committee shall ensure that proper arrangements are in place for the fair and independent investigation of such matters and for appropriate follow-up action and to act as the key representative body for overseeing the bank's relations with the External Auditor.</p> | <p>Complied with.</p> <p>A Whistle-Blower Policy is in place which covers these aspects and significant findings were reported to the Audit Committee for appropriate follow-up action.</p> <p>The Audit Committee is the key representative body for overseeing the Bank's relations with the External Auditor.</p>                                                                                                                                     |
| 3 (6) (iii) | <p>The following rules shall apply in relation to the <b>Human Resources and Remuneration Committee</b>:</p> <ul style="list-style-type: none"> <li>a. The Committee shall determine the remuneration policy (salaries, allowances and other financial payments) relating to Directors, Chief Executive Officer (CEO) and Key Management Personnel of the bank.</li> </ul>                                                                                                                         | <p>Complied with.</p> <p>The Remuneration for Directors is according to the circulars/letters issued by the Government of Sri Lanka through the relevant Ministry and the Bank of Ceylon Ordinance No. 53 of 1938 and its amendments. The Bank has also adopted a Remuneration Policy based on the said circulars.</p> <p>The Board-approved Remuneration Policy for the Key Management Personnel is in place.</p>                                       |

| Section    | Principle                                                                                                                                                                                                                                                 | Level of Compliance during the Year 2016                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
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|            | b. The Committee shall set goals and targets for the Directors, CEO and the Key Management Personnel.                                                                                                                                                     | Complied with.<br>No targets for the Directors are set since all of them are Non-Executive Directors. Goals and targets for KMPs are documented and detailed in the Action Plan prepared based on the Corporate Plan of the Bank. The General Manager is responsible for the implementation of the Corporate Plan through Key Management Personnel (KMPs). Performance on same is reviewed by the full Board on a periodic basis. A separate evaluation of the performance of the General Manager is also carried out on an annual basis. |
|            | c. The committee shall evaluate the performance of the CEO and Key Management Personnel against the set targets and goals periodically and determine the basis for revising remuneration, benefits and other payments of performance-based incentives.    | Complied with.<br>The Committee evaluated the performance of the Deputy General Managers including the General Manager against the targets given to them at the beginning of the year. Performance of the Assistant General Managers were evaluated through the evaluation carried out on them by the respective Deputy General Managers.                                                                                                                                                                                                 |
|            | d. The CEO shall be present at all meetings of the Committee, except when matters relating to the CEO are being discussed.                                                                                                                                | Complied with.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| 3 (6) (iv) | The following rules shall apply in relation to the <b>Nomination Committee</b> :                                                                                                                                                                          | The Bank has established a Nomination and Corporate Governance Committee. In addition to the duties of the Nomination Committee given under this Direction, certain other duties pertaining to upholding the applicable Corporate Governance Principles are included under the Terms of Reference of this Committee.                                                                                                                                                                                                                      |
|            | a. The Committee shall implement a procedure to select/ appoint new Directors, CEO and Key Management Personnel.                                                                                                                                          | Complied with.<br>The Directors are appointed by the Minister under whose purview the Bank falls. The General Manager is appointed by the Board with the approval of the said Minister. There is a Board-approved general procedure/scheme for the appointment of the KMP.                                                                                                                                                                                                                                                                |
|            | b. The Committee shall consider and recommend (or not 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. | Does not arise since the Directors are appointed by the relevant Minister.                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|            | c. The Committee shall set the criteria such as qualifications, experience and key attributes required for eligibility to be considered for appointment or promotion to the post of CEO and the key management positions.                                 | Complied with.<br>The General Manager is appointed based on the Bank's accepted procedure with the approval of the Board of Directors and the relevant Minister as specified in the Bank of Ceylon Ordinance No. 53 of 1938 and its amendments. The Board-approved promotion schemes stipulate the attributes required to be eligible to be selected or promoted to the other key management positions.                                                                                                                                   |
|            | d. The Committee shall ensure that Directors, CEO and Key Management Personnel are fit and proper persons to hold office as specified in the criteria given in Direction 3 (3) and as set out in the statutes.                                            | Complied with.<br>Annual declarations from Directors ensuring that they are fit and proper persons to hold office as specified in the criteria given in Direction 3 (3) and as set out in statutes are sent to CBSL.<br><br>Also the Committee ensures that KMPs are fit and proper persons to hold their offices when they are promoted or appointed as KMPs.                                                                                                                                                                            |

| Section   | Principle                                                                                                                                                                                                                                                                                                                                                                                                                                    | Level of Compliance during the Year 2016                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
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|           | <p>e. The Committee shall consider and recommend from time to time, the requirements of additional/new expertise and the succession arrangements for retiring Directors and Key Management Personnel.</p>                                                                                                                                                                                                                                    | <p>A Succession Plan for the KMPs is in place. Additional or new expertise that is needed are either recommended by the Board Subcommittees or decided by the Board.</p>                                                                                                                                                                                                                                                                                                                                                                                                    |
|           | <p>f. The Committee shall be chaired by an Independent Director and preferably be constituted with a majority of Independent Directors. The CEO may be present at meetings by invitation.</p>                                                                                                                                                                                                                                                | <p>Complied with.<br/>The Committee is chaired by an Independent Non-Executive Director. Page 38 of this Annual Report provides details in this regard.</p>                                                                                                                                                                                                                                                                                                                                                                                                                 |
| 3 (6) (v) | <p>The following rules shall apply in relation to the <b>Integrated Risk Management Committee</b>:</p>                                                                                                                                                                                                                                                                                                                                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|           | <p>a. The Committee shall consist of at least three Non-Executive Directors, Chief Executive Officer and Key Management Personnel supervising broad risk categories, i.e., credit, market, liquidity, operational and strategic risks. The Committee shall work with Key Management Personnel very closely and make decisions on behalf of the Board within the framework of the authority and responsibility assigned to the Committee.</p> | <p>Complied with.<br/>The Committee comprises three Non-Executive Directors, General Manager and the Chief Risk Officer who supervises credit, market, operational, reputational and strategic risks. The Chief Internal Auditor, Chief Financial Officer and Compliance Officer participate at all Committee meetings at the request of the Committee. Any other KMP and other staff are invited as and when the Committee needs their presence. The Committee works closely with KMPs within the framework of authority and responsibility assigned to the Committee.</p> |
|           | <p>b. The Committee shall assess all risks, i.e., credit, market, liquidity, operational and strategic risks to the bank on a monthly basis through appropriate risk indicators and management information. In the case of subsidiary companies and associate companies, risk management shall be done, both on a bank basis and group basis.</p>                                                                                            | <p>Complied with.<br/>Independent Integrated Risk Management Division of the Bank assesses the credit, market liquidity, operational, strategic and operational risks of the Bank based on the policy documents recommended by this Committee and approved by the Board, on a monthly basis and the summary reports are submitted to the Committee at its regular meetings and then to the next immediate Board meeting.<br/><br/>In the case of subsidiaries and associates, a risk management dashboard has been developed to address the risks.</p>                      |
|           | <p>c. The Committee shall review the adequacy and effectiveness of all management level committees such as the Credit Committee and the Asset-Liability Committee to address specific risks and to manage those risks within quantitative and qualitative risk limits as specified by the Committee.</p>                                                                                                                                     | <p>Complied with.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|           | <p>d. The Committee shall take prompt corrective action to mitigate the effects of specific risks in the case such risks are at levels beyond the prudent levels decided by the Committee on the basis of the bank's policies and regulatory and supervisory requirements.</p>                                                                                                                                                               | <p>Complied with.<br/>Specific quantitative and qualitative risks which went beyond the limits are monitored by the Chief Risk Officer and reported direct to the Committee based on the severity of the issues involved.</p>                                                                                                                                                                                                                                                                                                                                               |
|           | <p>e. The Committee shall meet at least quarterly to assess all aspects of risk management including updated business continuity plans.</p>                                                                                                                                                                                                                                                                                                  | <p>Complied with.<br/>During the year, the Committee has had seven meetings.<br/>Details of meetings and attendance are given on page 66.</p>                                                                                                                                                                                                                                                                                                                                                                                                                               |
|           | <p>f. The Committee shall take appropriate actions against the officers responsible for failure to identify specific risks and take prompt corrective actions as recommended by the Committee, and/or as directed by the Director of bank Supervision.</p>                                                                                                                                                                                   | <p>Complied with.<br/>Formal documented disciplinary action procedure is in place in the Bank.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |

| Section      | Principle                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Level of Compliance during the Year 2016                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
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|              | g. The Committee shall submit a risk assessment report within a week of each meeting to the Board seeking the Board's views, concurrence and/or specific directions.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Complied with.<br>The minutes of the meetings are submitted to the next immediate Board meeting together with the recommendations and Risk Management Reports.                                                                                                                                                                                                                                                                                                                                                                                               |
|              | h. The Committee shall establish a compliance function to assess the bank's compliance with laws, regulations, regulatory guidelines, internal controls and approved policies on all areas of business operations. A dedicated Compliance Officer selected from Key Management Personnel shall carry out the compliance function and report to the Committee periodically.                                                                                                                                                                                                                                                                                                                                                                                                                          | Complied with.<br>The Bank has established a separate compliance function to assess the Bank's compliance with laws, regulations, regulatory guidelines, internal controls and approved policies on all areas of business operations. This function is headed by a dedicated Compliance Officer and he submits quarterly Compliance Reports to the Committee and monthly compliance reports to the Board.<br><br>The compliance function also assess the Bank's compliance with Internal Controls and approved policies on all areas of business operations. |
| <b>3 (7)</b> | <b>Related Party Transactions</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| 3 (7) (i)    | The Board shall take the necessary steps to avoid any conflicts of interest that may arise from any transaction of the bank with any person, and particularly with the following categories of persons who shall be considered as 'related parties' for the purposes of this Direction:<br>a. Any of the bank's subsidiary companies;<br>b. Any of the bank's associate companies;<br>c. Any of the Directors of the bank;<br>d. Any of the bank's Key Management Personnel;<br>e. A close relation of any of the bank's Directors or Key Management Personnel;<br>f. A shareholder owning a material interest in the bank;<br>g. A concern in which any of the bank's Directors or a close relation of any of the bank's Directors or any of its material shareholders has a substantial interest. | Complied with.<br>There is a Board-approved Policy on Related Party Transactions covering related parties, their transactions, and restrictions on offering more favourable treatment to related parties in order for the Board members to avoid any Conflict of Interest in this regard.<br><br>Directors who have related party transactions are individually requested to declare their transactions. Transactions are monitored through an automated system.                                                                                             |
| 3 (7) (ii)   | The type of transactions with related parties that shall be covered by this Direction shall include the following:<br>a. The grant of any type of accommodation, as defined in the Monetary Board's Directions on maximum amount of accommodation,<br>b. The creation of any liabilities of the bank in the form of deposits, borrowings and investments,<br>c. The provision of any services of a financial or non-financial nature provided to the bank or received from the bank,<br>d. 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.                                  | Complied with.<br>Information in this regard, is disclosed in Note 55 on 'Related Party Disclosures' statement.                                                                                                                                                                                                                                                                                                                                                                                                                                              |

| Section     | Principle                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Level of Compliance during the Year 2016                                                                                                                                                                                                                                                                                            |
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| 3 (7) (iii) | <p>The Board shall ensure that the bank does not engage in transactions with related parties as defined in Direction No. 3 (7) (i) above, in a manner that would grant such parties ‘more favourable treatment’ than that accorded to other constituents of the bank carrying on the same business. In this context, ‘more favourable treatment’ shall mean and include treatment, including the:</p> <ol style="list-style-type: none"> <li>a. Granting of ‘total net accommodation’ to related parties, exceeding a prudent percentage of the bank’s regulatory capital, as determined by the Board. For purposes of this sub-direction: <ol style="list-style-type: none"> <li>(i) ‘Accommodation’ shall mean accommodation as defined in the banking Act Direction No. 7 of 2007 on Maximum Amount of Accommodation.</li> <li>(ii) The ‘total net accommodation’ shall be computed by deducting from the total accommodation, the cash collateral and investments made by such related parties in the bank’s share capital and debt instruments with a maturity of five years or more.</li> </ol> </li> <li>b. Charging of a lower rate of interest than the bank’s best lending rate or paying more than the bank’s deposit rate for a comparable transaction with an unrelated comparable counterparty;</li> <li>c. Providing of preferential treatment, such as favourable terms, covering trade losses and/or waiving fees/commissions, that extend beyond the terms granted in the normal course of business undertaken with unrelated parties;</li> <li>d. Providing services to or receiving services from a related-party without an evaluation procedure;</li> <li>e. Maintaining reporting lines and information flows that may lead to sharing potentially proprietary, confidential or otherwise sensitive information with related parties, except as required for the performance of legitimate duties and functions.</li> </ol> | <p>Complied with.</p> <p>The Bank has implemented a Board-approved process to monitor related party transactions which is monitored by the Compliance division.</p> <p>This system will be further strengthened to cover all other products of the Bank such as Trade related and Treasury transactions of the related parties.</p> |
| 3 (7) (iv)  | <p>A bank shall not grant any accommodation to any of its Directors or to a close relation of such Director 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. This accommodation shall be secured by such security as may from time to time be determined by the Monetary Board as well.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | <p>Complied with.</p>                                                                                                                                                                                                                                                                                                               |
| 3 (7) (v)   | <ol style="list-style-type: none"> <li>a. Where any accommodation has been granted by a bank to a person or a close relation of a person or to any concern in which the person has a substantial interest, and such person is subsequently appointed as a Director of the bank, steps shall be taken by the bank to obtain the necessary security as may be approved for that purpose by the Monetary Board, within one year from the date of appointment of the person as a Director.</li> </ol>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | <p>Complied with.</p> <p>Such a situation has not arisen during the year 2016.</p>                                                                                                                                                                                                                                                  |



| Section      | Principle                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Level of Compliance during the Year 2016                                                                                                                                                                                                                                                                                                                                                         |
|--------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|              | <p>b. Where such security is not provided by the period as provided in Direction 3 (7) (v) (a) above, the bank shall take steps to recover any amount due on account of any accommodation, together with interest, if any, within the period specified at the time of the grant of accommodation or at the expiry of a period of eighteen months from the date of appointment of such Director, whichever is earlier.</p> <p>c. Any Director who fails to comply with the above sub-directions shall be deemed to have vacated the office of Director and the bank shall disclose such fact to the public.</p> <p>d. This sub-direction, however, shall not apply to a Director who at the time of the grant of the accommodation was an employee of the bank and the accommodation was granted under a scheme applicable to all employees of such bank.</p> |                                                                                                                                                                                                                                                                                                                                                                                                  |
| 3 (7) (vi)   | A bank shall not grant any accommodation or 'more favourable treatment' relating to the waiver of fees and/or commissions to any employee or a close relation of such employee or to any concern in which the employee or close relation has a substantial interest other than on the basis of a scheme applicable to the employees of such bank or when secured by security as may be approved by the Monetary Board in respect of accommodation granted as per Direction 3 (7) (v) above.                                                                                                                                                                                                                                                                                                                                                                  | Complied with.<br>No favourable treatment/accommodation is provided to any employee of the Bank on more favourable terms unless under general staff loan schemes applicable to all employees of the Bank. Circular instructions have been issued in this regard. Close relations of Bank employees are also not given any favourable treatment/recommendation.                                   |
| 3 (7) (vii)  | No accommodation granted by a bank under Direction 3 (7) (v) and 3 (7) (vi) above, nor any part of such accommodation, nor any interest due thereon shall be remitted without the prior approval of the Monetary Board and any remission without such approval shall be void and of no effect.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Complied with.<br>Such a situation has not arisen during the year 2016.                                                                                                                                                                                                                                                                                                                          |
| <b>3 (8)</b> | <b>Disclosures</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                                                                                                                                                                                                                                                                                                                                                                                                  |
| 3 (8) (i)    | The Board shall ensure that: <p>a. 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, and that.</p> <p>b. such statements are published in the newspapers in an abridged form, in Sinhala, Tamil and English.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Complied with.                                                                                                                                                                                                                                                                                                                                                                                   |
| 3 (8) (ii)   | The Board shall ensure that the following minimum disclosures are made in the Annual Report: <p>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.</p> <p>b. A report by the Board on the bank's internal control mechanism that 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>                                                                                                                                             | Complied with.<br>Disclosed in the 'Annual Report of the Directors on the State of Affairs of the Bank' on pages 135 to 139 and Directors' Responsibility for Financial Reporting on page 145.<br><br>Complied with.<br>Disclosed in the "Directors' Statement on Internal Control" on page 142 and 143 of this Annual Report and Directors' Responsibility for Financial Reporting on page 145. |

| Section                                                                                            | Principle                                                                                                                                                                                                                                                                                                                                                                   | Level of Compliance during the Year 2016                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |  |          |                                |                                  |                          |         |              |           |       |            |            |        |                                                                                                    |             |          |         |            |        |                    |        |
|----------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|----------|--------------------------------|----------------------------------|--------------------------|---------|--------------|-----------|-------|------------|------------|--------|----------------------------------------------------------------------------------------------------|-------------|----------|---------|------------|--------|--------------------|--------|
| c.                                                                                                 | The Assurance Report issued by the auditors under 'Sri Lanka standard on Assurance Engagements SLSAE 3050 – Assurance Reports for banks on Directors' Statements on Internal Control'.                                                                                                                                                                                      | Complied with.<br>The Bank has obtained a certificate on the Effectiveness of Internal Controls over Financial Reporting from the Auditor General which is published on page 144 of this Annual Report.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |  |          |                                |                                  |                          |         |              |           |       |            |            |        |                                                                                                    |             |          |         |            |        |                    |        |
| d.                                                                                                 | Details of Directors, including names, fitness and propriety, transactions with the bank and the total of fees/remuneration paid by the bank.                                                                                                                                                                                                                               | Complied with.<br>Details of Directors are given on pages 36 to 41.<br>Directors' Interest in Contracts with the Bank are given on pages 140 and 141.<br>Remunerations paid by the Bank are given in Note 15 to the Financial Statements on page 175.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |  |          |                                |                                  |                          |         |              |           |       |            |            |        |                                                                                                    |             |          |         |            |        |                    |        |
| e.                                                                                                 | Total net accommodation as defined in 3 (7) (iii) granted to each category of related parties. The net accommodation granted to each category of related parties shall also be disclosed as a percentage of the bank's regulatory capital.                                                                                                                                  | Complied with.<br>'Total net accommodation' granted to each category of related party during the year 2016 as a percentage of the Bank's regulatory capital is given below:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |  |          |                                |                                  |                          |         |              |           |       |            |            |        |                                                                                                    |             |          |         |            |        |                    |        |
|                                                                                                    |                                                                                                                                                                                                                                                                                                                                                                             | <table border="1"> <thead> <tr> <th></th> <th>LKR '000</th> <th>%</th> </tr> </thead> <tbody> <tr> <td>Key Management Personnels (KMPs)</td> <td>145,449</td> <td>0.14</td> </tr> <tr> <td>Subsidiaries</td> <td>1,690,146</td> <td>1.61</td> </tr> <tr> <td>Associates</td> <td>216,536</td> <td>0.21</td> </tr> <tr> <td>Government and Government related entities (Refer definition in Note 55.4 of Financial Statements)</td> <td>914,576,887</td> <td>872.21</td> </tr> </tbody> </table>                                                                                                                                                                                                                                                                                                     |  | LKR '000 | %                              | Key Management Personnels (KMPs) | 145,449                  | 0.14    | Subsidiaries | 1,690,146 | 1.61  | Associates | 216,536    | 0.21   | Government and Government related entities (Refer definition in Note 55.4 of Financial Statements) | 914,576,887 | 872.21   |         |            |        |                    |        |
|                                                                                                    | LKR '000                                                                                                                                                                                                                                                                                                                                                                    | %                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |  |          |                                |                                  |                          |         |              |           |       |            |            |        |                                                                                                    |             |          |         |            |        |                    |        |
| Key Management Personnels (KMPs)                                                                   | 145,449                                                                                                                                                                                                                                                                                                                                                                     | 0.14                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |  |          |                                |                                  |                          |         |              |           |       |            |            |        |                                                                                                    |             |          |         |            |        |                    |        |
| Subsidiaries                                                                                       | 1,690,146                                                                                                                                                                                                                                                                                                                                                                   | 1.61                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |  |          |                                |                                  |                          |         |              |           |       |            |            |        |                                                                                                    |             |          |         |            |        |                    |        |
| Associates                                                                                         | 216,536                                                                                                                                                                                                                                                                                                                                                                     | 0.21                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |  |          |                                |                                  |                          |         |              |           |       |            |            |        |                                                                                                    |             |          |         |            |        |                    |        |
| Government and Government related entities (Refer definition in Note 55.4 of Financial Statements) | 914,576,887                                                                                                                                                                                                                                                                                                                                                                 | 872.21                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |  |          |                                |                                  |                          |         |              |           |       |            |            |        |                                                                                                    |             |          |         |            |        |                    |        |
| f.                                                                                                 | The aggregate values of remuneration paid by the bank to its Key Management Personnel and the aggregate values of the transactions of the bank with its Key Management Personnel, set out by broad categories such as remuneration paid, accommodation granted and deposits or investments made in the bank.                                                                | Complied with.<br>The aggregate amount of remuneration paid by the Bank and transactions with KMPs for the year 2016 are stated below:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |  |          |                                |                                  |                          |         |              |           |       |            |            |        |                                                                                                    |             |          |         |            |        |                    |        |
|                                                                                                    |                                                                                                                                                                                                                                                                                                                                                                             | <table border="1"> <thead> <tr> <th></th> <th>LKR '000</th> </tr> </thead> <tbody> <tr> <td>Short-term employment benefits</td> <td>491,398</td> </tr> <tr> <td>Post-employment benefits</td> <td>110,592</td> </tr> </tbody> </table> <p>In addition to above, the Bank has also paid non-cash benefits such as use of vehicles to KMPs in line with the approved benefit plan of the Bank.</p> <table border="1"> <thead> <tr> <th></th> <th>LKR '000</th> </tr> </thead> <tbody> <tr> <td>Loans</td> <td>475,505</td> </tr> <tr> <td>Overdrafts</td> <td>12,017</td> </tr> <tr> <td>Credit cards</td> <td>8,456</td> </tr> <tr> <td>Deposits</td> <td>444,368</td> </tr> <tr> <td>Debentures</td> <td>12,902</td> </tr> <tr> <td>Undrawn facilities</td> <td>55,849</td> </tr> </tbody> </table> |  | LKR '000 | Short-term employment benefits | 491,398                          | Post-employment benefits | 110,592 |              | LKR '000  | Loans | 475,505    | Overdrafts | 12,017 | Credit cards                                                                                       | 8,456       | Deposits | 444,368 | Debentures | 12,902 | Undrawn facilities | 55,849 |
|                                                                                                    | LKR '000                                                                                                                                                                                                                                                                                                                                                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |  |          |                                |                                  |                          |         |              |           |       |            |            |        |                                                                                                    |             |          |         |            |        |                    |        |
| Short-term employment benefits                                                                     | 491,398                                                                                                                                                                                                                                                                                                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |  |          |                                |                                  |                          |         |              |           |       |            |            |        |                                                                                                    |             |          |         |            |        |                    |        |
| Post-employment benefits                                                                           | 110,592                                                                                                                                                                                                                                                                                                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |  |          |                                |                                  |                          |         |              |           |       |            |            |        |                                                                                                    |             |          |         |            |        |                    |        |
|                                                                                                    | LKR '000                                                                                                                                                                                                                                                                                                                                                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |  |          |                                |                                  |                          |         |              |           |       |            |            |        |                                                                                                    |             |          |         |            |        |                    |        |
| Loans                                                                                              | 475,505                                                                                                                                                                                                                                                                                                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |  |          |                                |                                  |                          |         |              |           |       |            |            |        |                                                                                                    |             |          |         |            |        |                    |        |
| Overdrafts                                                                                         | 12,017                                                                                                                                                                                                                                                                                                                                                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |  |          |                                |                                  |                          |         |              |           |       |            |            |        |                                                                                                    |             |          |         |            |        |                    |        |
| Credit cards                                                                                       | 8,456                                                                                                                                                                                                                                                                                                                                                                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |  |          |                                |                                  |                          |         |              |           |       |            |            |        |                                                                                                    |             |          |         |            |        |                    |        |
| Deposits                                                                                           | 444,368                                                                                                                                                                                                                                                                                                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |  |          |                                |                                  |                          |         |              |           |       |            |            |        |                                                                                                    |             |          |         |            |        |                    |        |
| Debentures                                                                                         | 12,902                                                                                                                                                                                                                                                                                                                                                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |  |          |                                |                                  |                          |         |              |           |       |            |            |        |                                                                                                    |             |          |         |            |        |                    |        |
| Undrawn facilities                                                                                 | 55,849                                                                                                                                                                                                                                                                                                                                                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |  |          |                                |                                  |                          |         |              |           |       |            |            |        |                                                                                                    |             |          |         |            |        |                    |        |
| g.                                                                                                 | A confirmation by the Board of Directors in its Annual Corporate Governance Report that all the findings of the 'Factual Finding Reports' of Auditors issued under 'Sri Lanka Related Services Practice Statement 4750' have been incorporated in the Annual Corporate Governance Report provided that Auditors confirm to the Director of bank Supervision to this effect. | Complied with.<br>The Bank has obtained a certificate from the Auditor General in compliance with the Corporate Governance Direction No. 11 of 2007. The Board has confirmed that all findings of the Auditors have been incorporated in this Corporate Governance Report and any recommendations will be dealt within 2017.                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |  |          |                                |                                  |                          |         |              |           |       |            |            |        |                                                                                                    |             |          |         |            |        |                    |        |

| Section     | Principle                                                                                                                                                                                                                                                                                                                                                                                                          | Level of Compliance during the Year 2016                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|-------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|             | <p>h. A report setting out details of the compliance with prudential requirements, regulations, laws and internal controls and measures taken to rectify any material non-compliances.</p>                                                                                                                                                                                                                         | <p>Complied with.<br/>The Statement of Directors' Responsibility for Financial Reporting on page 145 clearly sets out details regarding compliance with prudential requirements, regulations, laws and internal controls.</p>                                                                                                                                                                                                                                                                                                                                                                                      |
|             | <p>i. A statement of the regulatory and supervisory concerns on lapses in the bank's risk management, or non-compliance with these Directions that have been pointed out by the Director of bank Supervision, if so directed by the Monetary Board to be disclosed to the public, together with the measures taken by the bank to address such concerns.</p>                                                       | <p>Complied with.<br/>There were no lapses which caused supervisory concern on the Bank's Risk Management Systems or non-compliance with these directions which led to them being pointed out by the Director of Bank Supervision of the Central Bank of Sri Lanka and which have caused the Monetary Board to give directions that they be disclosed to the public. Since there have been no such lapses or instances of non-compliance and since no such directions have been given by the Monetary Board, the issue of measures to be taken does not arise and there is nothing to disclose in this regard.</p> |
| 3 (9) (i)   | <p><b>Transitional and Other General Provisions</b><br/>Compliance with this Direction shall commence from 1 January 2008 onwards and all licensed commercial banks shall fully comply with the provisions of this Direction by or before 1 January 2009 except where extended compliance dates have been specifically provided for in this Direction.</p>                                                         | <p>Complied with.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| 3 (9) (ii)  | <p>In respect of the banks that have been incorporated by specific statutes in Sri Lanka, the Boards as specified in such statutes shall continue to function in terms of the provisions of the respective statutes, provided they take steps to comply with all provisions of this Direction that are not inconsistent with the provisions of the respective statutes.</p>                                        | <p>Complied with.<br/>Bank of Ceylon has taken all possible measures to comply with all applicable provisions of this Direction that are not inconsistent with the provisions of Bank of Ceylon Ordinance No. 53 of 1938 and its amendments, the enabling enactment.<br/><br/>Any instances of non-compliance and where Bank of Ceylon has continued to function in terms of the provisions of the statutes applicable to it has been specifically mentioned above against the relevant sections.</p>                                                                                                              |
| 3 (9) (iii) | <p>This Direction shall apply to the branches of the foreign banks operating in Sri Lanka to the extent that it is not inconsistent with the regulations and laws applicable in such bank's country of incorporation. The branch of a foreign bank shall also publish its parent bank's annual corporate governance report together with its annual report and accounts of the branch operations in Sri Lanka.</p> | <p>Not applicable.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| 3 (9) (iv)  | <p>In the event of a conflict between any of the provisions of this Direction and the Articles of Association (or Internal Rules) pertaining to any bank, the provisions of this Direction shall prevail. However, if the Articles of Association of an individual bank set a more stringent standard than that specified in this Direction, such provisions in the Articles of Association may be followed.</p>   | <p>Not applicable.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| 3 (9) (v)   | <p>If for any reason such as ill health or any incapacity as provided in the banking Act, the Monetary Board considers that exemptions referred to in Directions 3 (2) (ii) B, 3 (3) (i) A and 3 (3) (ii) A should not be availed of, such ground may be notified to the person by the Monetary Board, and after a hearing, the Monetary Board may limit the period of exemption.</p>                              | <p>Not applicable.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |

## Compliance Requirements Enforced by Colombo Stock Exchange

Compliance to the Listing Rules on contents of Annual Report, which were applicable to the Bank for the year ended 31 December 2016 enforced by the Colombo Stock Exchange, are summarised below:

| Rule No.  | Requirement                                                                                                                                                                                                                                      | Period                            | Date submitted   |
|-----------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------|------------------|
| 7.4 a (i) | The Interim Financial Statements prepared on quarterly basis, approved by the Board of Directors to be submitted to CSE within 45 days from respective quarter ends for the first three quarters and within two months at the end of 4th quarter | Quarter 1 ended 31 March 2016     | 12 May 2016      |
|           |                                                                                                                                                                                                                                                  | Quarter 2 ended 30 June 2016      | 12 August 2016   |
|           |                                                                                                                                                                                                                                                  | Quarter 3 ended 30 September 2016 | 15 November 2016 |
|           |                                                                                                                                                                                                                                                  | Quarter 4 ended 31 December 2016  | 01 March 2017    |

| Rule No.    | Requirement                                                                                | Compliance                                                                                                                                                                 |
|-------------|--------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 7.4 b (i)   | Comply with LKAS 34 and disclose Group and Bank separately                                 | Complied with                                                                                                                                                              |
| 7.4 b (ii)  | Disclose the additional notes and ratios as per Listing Rules                              | Complied with                                                                                                                                                              |
| 7.4 b (iii) | Be signed by two Directors                                                                 | Complied with                                                                                                                                                              |
| 7.4 b (iv)  | State whether the Financial Statements are audited or not                                  | Complied with                                                                                                                                                              |
| 7.5 a       | Annual Report to be submitted to CSE within five months from the closure of financial year | The Audited Financial Statements for the year ended 31 December 2016 was submitted on 30 March 2017. Annual Report for the year 2016 will be submitted before the deadline |

| Rule No.   | Disclosure Requirement                                                                                                                               | Reference/Comments                                                                | Page No. |
|------------|------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------|----------|
| 7.6 (i)    | Names of persons who during the financial year were Directors of the entity;                                                                         | Annual Report of the Board of Directors on the State of Affairs of Bank of Ceylon | 137      |
| 7.6 (ii)   | Principal activities of the entity and its Subsidiaries during the year and any changes therein                                                      | Annual Report of the Board of Directors on the State of Affairs of Bank of Ceylon | 135      |
|            |                                                                                                                                                      | Notes to the Financial Statements                                                 | 156      |
| 7.6 (iii)  | The names and the number of shares held by the 20 largest holders of voting and non-voting shares and the percentage of such shares held             | Government of Sri Lanka is the sole shareholder of Bank of Ceylon                 | 344      |
| 7.6 (iv)   | The public holding percentage                                                                                                                        | Not applicable                                                                    |          |
| 7.6 (v)    | A statement of each Director's holding and Chief Executive Officer's holding in shares of the entity at the beginning and end of each financial year | Not applicable                                                                    |          |
| 7.6 (vi)   | Information pertaining to material foreseeable risk factors of the entity                                                                            | Risk Management Report                                                            | 78-92    |
| 7.6 (vii)  | Details of material issues pertaining to employees and industrial relations of the entity                                                            | No material issues occurred during the year under review                          |          |
| 7.6 (viii) | Extents, locations, valuations and the number of buildings of the entity's land holdings and investment properties                                   | Notes 31 and 32 to the Financial Statements                                       | 218-231  |
| 7.6 (ix)   | Number of shares representing the entity's stated capital                                                                                            | Note 46.1 to the Financial Statements                                             | 252      |
| 7.6 (x)    | A distribution schedule of the number of holders in each class of equity securities and percentage of their total holdings                           | Investor Information                                                              | 344      |

| Rule No.   | Disclosure Requirement                                                                                                                                         | Reference/Comments                                                                                                                                                | Page No.           |
|------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|
| 7.6 (xi)   | Ratios and market price information:                                                                                                                           |                                                                                                                                                                   |                    |
|            | 1. Dividend per share, net assets value per share, interest rate of comparable Government Securities, debt/equity ratio, interest cover and liquid asset ratio | Notes 18.3 and 46.2 to the Financial Statements, Investor Information                                                                                             | 179, 253, 343      |
|            | 2. Market information on listed debentures                                                                                                                     | Note 45 to the Financial Statements<br>Investor Information                                                                                                       | 250-252<br>344-345 |
|            | 3. Any changes in credit rating                                                                                                                                | Awards                                                                                                                                                            | 102                |
| 7.6 (xii)  | Significant changes in the entity's or its Subsidiaries' fixed assets and the market value of the land, if the value differs substantially from the book value | Note 32 to the Financial Statements                                                                                                                               | 219-231            |
| 7.6 (xiii) | During the year, the entity has raised funds either through a public issue, rights issue and private placement                                                 | Notes 41 and 45 to the Financial Statements                                                                                                                       | 238-239<br>250-252 |
| 7.6 (xiv)  | Information in respect of each employee share ownership or stock option scheme                                                                                 | Not applicable                                                                                                                                                    |                    |
| 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                         | Exempted under Section 7.10 of Listing Rules since the Bank complies with direction laid down in the Banking Act Direction No. 11 of 2007 on Corporate Governance |                    |
| 7.6 (xvi)  | Related party transactions exceeding 10% of the equity or 5% of the total assets of the entity as per Audited Financial Statements, whichever is lower         | Investor Information                                                                                                                                              | 347                |

## Compliance Requirements Enforced by the Central Bank of Sri Lanka

Compliance to the directions on Interim Financial Statements, which were applicable to the Bank for the year ended 31 December 2016, enforced by the Central Bank of Sri Lanka, are summarised below:

| Circular No.                            | Requirement                                                                                                                                                                                                                                                    | Period                                                                                             | Date Published in Sinhala, Tamil & English Newspapers |
|-----------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------|-------------------------------------------------------|
| 02/04/003/0401/001<br>30 September 2005 | The publication should be made within two months from the end of each quarter, at least once in an English, Sinhala and Tamil newspaper                                                                                                                        | Quarter 1 ended 31 March 2016<br>Quarter 2 ended 30 June 2016<br>Quarter 3 ended 30 September 2016 | 27 May 2016<br>30 August 2016<br>29 November 2016     |
| 02/04/003/0401/001<br>21 February 2006  | If the Bank publishes its Audited Financial Statements within three months from the end of the financial year, the requirement to publish the Financial Statements for the 4th quarter in terms of the Circular dated 30 September 2005 would not be mandatory | Quarter 4 ended 31 December 2016<br>(Audited)                                                      | 31 March 2017                                         |

### Compliance to Other Disclosure Requirements on Annual Financial Statements, which were Applicable to Licensed Commercial Banks are Summerised below:

|           |                                                                                                                                                                                                                                                                                   |                                                  |
|-----------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------|
| <b>1.</b> | <b>Information about the Significance of Financial Instruments for Financial Position and Performance</b>                                                                                                                                                                         |                                                  |
| 1.1       | Statement of Financial Position                                                                                                                                                                                                                                                   |                                                  |
| 1.1.1     | Disclosures on categories of financial assets and financial liabilities                                                                                                                                                                                                           | Note 19 to the Financial Statements              |
| 1.1.2     | Other disclosures                                                                                                                                                                                                                                                                 |                                                  |
|           | i. Special disclosures about financial assets and financial liabilities designated to be measured at fair value through profit or loss, including disclosures about credit risk and market risk, changes in fair value attributable to these risks and the methods of measurement | Note 4.4 to the Financial Statements             |
|           | ii. Reclassifications of financial instruments from one category to another                                                                                                                                                                                                       | Note 57.3 to the Financial Statements            |
|           | iii. Information about financial assets pledged as collateral and about financial or non-financial assets held as collateral                                                                                                                                                      | Note 52 to the Financial Statements              |
|           | iv. Reconciliation of the allowance account for credit losses by class of financial assets                                                                                                                                                                                        | Note 26.2 to the Financial Statements            |
|           | v. Information about compound financial instruments with multiple embedded derivatives                                                                                                                                                                                            | None                                             |
|           | vi. Breaches of terms of loan agreements                                                                                                                                                                                                                                          | None                                             |
| 1.2       | Statement of Comprehensive Income                                                                                                                                                                                                                                                 |                                                  |
| 1.2.1     | Disclosures on items of income, expense, gains and losses                                                                                                                                                                                                                         | Note 7 to 15 to the Financial Statements         |
| 1.2.2     | Other disclosures                                                                                                                                                                                                                                                                 |                                                  |
|           | i. Total interest income and total interest expense for those financial instruments that are not measured at fair value through profit and loss                                                                                                                                   | Note 8 to the Financial Statements               |
|           | ii. Fee income and expense                                                                                                                                                                                                                                                        | Note 9 to the Financial Statements               |
|           | iii. Amount of impairment losses by class of financial assets                                                                                                                                                                                                                     | Note 13 to the Financial Statements              |
|           | iv. Interest income on impaired financial assets                                                                                                                                                                                                                                  | Note 8.1 to the Financial Statements             |
| 1.3       | Other Disclosures                                                                                                                                                                                                                                                                 |                                                  |
| 1.3.1     | Accounting policies for financial instruments                                                                                                                                                                                                                                     | Notes 4 and 20 to 28 to the Financial Statements |
| 1.3.2     | Information on hedge accounting                                                                                                                                                                                                                                                   | None                                             |

|            |                                                                                                                                                                                                                                                           |                                                                  |
|------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------|
| 1.3.3      | Information about the fair values of each class of financial assets and financial liability, along with:                                                                                                                                                  | Notes 20 to 28, 37 to 41 and 45 to the Financial Statements      |
|            | i. Comparable carrying amounts                                                                                                                                                                                                                            | Note 57 to the Financial Statements                              |
|            | ii. Description of how fair value was determined                                                                                                                                                                                                          | Note 57 to the Financial Statements                              |
|            | iii. The level of inputs used in determining fair value                                                                                                                                                                                                   | Note 57 to the Financial Statements                              |
|            | iv. Reconciliations of movements between levels of fair value measurement hierarchy, additional disclosures for financial instruments that fair value is determined using level 3 inputs                                                                  | Note 57 to the Financial Statements                              |
|            | v. Information of fair value cannot be reliably measured                                                                                                                                                                                                  | Note 57 to the Financial Statements                              |
| <b>2.</b>  | <b>Information about the Nature and Extent of Risks Arising from Financial Instruments</b>                                                                                                                                                                |                                                                  |
| <b>2.1</b> | <b>Qualitative Disclosures</b>                                                                                                                                                                                                                            |                                                                  |
| 2.1.1      | Risk exposures for each type of financial instrument                                                                                                                                                                                                      | Risk Management Report and Note 58 to the Financial Statements   |
| 2.1.2      | Management's objectives, policies, and processes for managing those risks.                                                                                                                                                                                | Risk Management Report                                           |
| 2.1.3      | Changes from the prior period                                                                                                                                                                                                                             | None                                                             |
| <b>2.2</b> | <b>Quantitative Disclosures</b>                                                                                                                                                                                                                           |                                                                  |
| 2.2.1      | Summary of quantitative data about exposure to each risk at the Reporting date                                                                                                                                                                            | Note 58 to the Financial Statements                              |
| 2.2.2      | Disclosures about credit risk, liquidity risk, market risk, operational risk, interest rate risk and how these risks are managed                                                                                                                          | Note 58 to the Financial Statements                              |
|            | i. Credit Risk                                                                                                                                                                                                                                            |                                                                  |
|            | a. Maximum amount of exposure (before deducting the value of collateral), description of collateral, information about credit quality of financial assets that are neither past due nor impaired and information about credit quality of financial assets | Note 58.2.1 to the Financial Statements                          |
|            | b. For financial assets that are past due or impaired, disclosures on age, factors considered in determining as impaired and the description of collateral on each class of financial asset                                                               | Note 58.2.2 to the Financial Statements                          |
|            | c. Information about collateral or other credit enhancements obtained or called                                                                                                                                                                           | Note 58.2.1 to the Financial Statements                          |
|            | d. For other disclosures, refer Banking Act Direction No. 07 of 2011 on Integrated Risk Management Framework for Licensed Banks (Section H)                                                                                                               | Note 58.1.3 to the Financial Statements                          |
|            | ii. Liquidity Risk                                                                                                                                                                                                                                        |                                                                  |
|            | a. A maturity analysis of financial liabilities                                                                                                                                                                                                           | Note 58.3 to the Financial Statements                            |
|            | b. Description of approach to risk management                                                                                                                                                                                                             | Risk Management Report and Note 58.3 to the Financial Statements |
|            | c. For other disclosures, refer Banking Act Direction No. 07 of 2011 on Integrated Risk Management Framework for Licensed Banks (Section H)                                                                                                               | Note 58.3 to the Financial Statements                            |
|            | iii. Market Risk                                                                                                                                                                                                                                          |                                                                  |
|            | a. A sensitivity analysis of each type of market risk to which the entity is exposed                                                                                                                                                                      | Note 58.4 to the Financial Statements                            |
|            | b. Additional information, if the sensitivity analysis is not representative of the entity's risk exposure                                                                                                                                                | Note 58.4 to the Financial Statements                            |
|            | c. For other disclosures, refer Banking Act Direction No. 07 of 2011 on Integrated Risk Management Framework for Licensed Banks (Section H)                                                                                                               | Note 58.4 to the Financial Statements                            |
|            | iv. Operational Risk                                                                                                                                                                                                                                      |                                                                  |
|            | Refer Banking Act Direction No. 07 of 2011 on Integrated Risk Management Framework for Licensed Banks (Section H)                                                                                                                                         | Note 58.5 to the Financial Statements                            |

|           |                                                                                                                                                                                                                                                                                                              |                                                                  |
|-----------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------|
|           | v. Equity Risk in the banking book                                                                                                                                                                                                                                                                           |                                                                  |
|           | a. Qualitative disclosures                                                                                                                                                                                                                                                                                   |                                                                  |
|           | <ul style="list-style-type: none"> <li>■ Differentiation between holdings on which capital gains are expected and those taken under other objectives including for relationship and strategic reasons</li> </ul>                                                                                             | Notes 24 to 27 to the Financial Statements                       |
|           | <ul style="list-style-type: none"> <li>■ Discussion of important policies covering the valuation and accounting of equity holdings in the banking book</li> </ul>                                                                                                                                            | Notes 24 to 27 to the Financial Statements                       |
|           | b. Quantitative disclosures                                                                                                                                                                                                                                                                                  |                                                                  |
|           | <ul style="list-style-type: none"> <li>■ Value disclosed in the Statement of Financial Position of investments, as well as the fair value of those investments; for quoted securities, a comparison to publicly-quoted share values where the share price is materially different from fair value</li> </ul> | Notes 24.1, 24.2 ,27.1 and 27.2 to the Financial Statements      |
|           | <ul style="list-style-type: none"> <li>■ The types and nature of investments</li> </ul>                                                                                                                                                                                                                      | Notes 24, 25, 27 and 28 to the Financial Statements              |
|           | <ul style="list-style-type: none"> <li>■ The cumulative realised gains/(losses) arising from sales and liquidations in the reporting period</li> </ul>                                                                                                                                                       | Notes 10 and 11 to the Financial Statements                      |
|           | vi. Interest rate risk in the banking book                                                                                                                                                                                                                                                                   |                                                                  |
|           | a. Qualitative disclosures                                                                                                                                                                                                                                                                                   |                                                                  |
|           | Nature of interest rate risk in the banking book (IRRBB) and key assumptions                                                                                                                                                                                                                                 | Note 58.4.2 to the Financial Statements                          |
|           | b. Quantitative disclosures                                                                                                                                                                                                                                                                                  |                                                                  |
|           | The increase/(decline) in earnings or economic value (or relevant measure used by management) for upward and downward rate shocks according to management's method for measuring IRRBB, broken down by currency (as relevant)                                                                                | None                                                             |
| 2.2.3     | Information on concentrations of risk                                                                                                                                                                                                                                                                        | Note 58.2.3 to the Financial Statements                          |
| <b>3.</b> | <b>Other Disclosures</b>                                                                                                                                                                                                                                                                                     |                                                                  |
| 3.1       | Capital                                                                                                                                                                                                                                                                                                      |                                                                  |
| 3.1.1     | Capital structure                                                                                                                                                                                                                                                                                            |                                                                  |
|           | i. Qualitative disclosures                                                                                                                                                                                                                                                                                   |                                                                  |
|           | Summary information on the terms and conditions of the main features of all capital instruments, especially in the case of innovative, complex or hybrid capital instruments                                                                                                                                 | Debt – Note 45 to the Financial Statements<br>Equity – None      |
|           | ii. Quantitative disclosures                                                                                                                                                                                                                                                                                 |                                                                  |
|           | a. The amount of Tier I capital, with separate disclosure of:                                                                                                                                                                                                                                                |                                                                  |
|           | <ul style="list-style-type: none"> <li>• Paid-up share capital/common stock</li> </ul>                                                                                                                                                                                                                       | Capital Adequacy                                                 |
|           | <ul style="list-style-type: none"> <li>• Reserves</li> </ul>                                                                                                                                                                                                                                                 | Capital Adequacy                                                 |
|           | <ul style="list-style-type: none"> <li>• Non-controlling interests in the equity of subsidiaries</li> </ul>                                                                                                                                                                                                  | Capital Adequacy                                                 |
|           | <ul style="list-style-type: none"> <li>• Innovative instruments</li> </ul>                                                                                                                                                                                                                                   | None                                                             |
|           | <ul style="list-style-type: none"> <li>• Other capital instruments</li> </ul>                                                                                                                                                                                                                                | None                                                             |
|           | <ul style="list-style-type: none"> <li>• Deductions from Tier I capital</li> </ul>                                                                                                                                                                                                                           | Capital Adequacy                                                 |
|           | b. The total amount of Tier II and Tier III capital                                                                                                                                                                                                                                                          | Capital Adequacy                                                 |
|           | c. Other deductions from capital                                                                                                                                                                                                                                                                             | Capital Adequacy                                                 |
|           | d. Total eligible capital                                                                                                                                                                                                                                                                                    | Capital Adequacy                                                 |
| 3.1.2     | Capital Adequacy                                                                                                                                                                                                                                                                                             |                                                                  |
|           | i. Qualitative disclosures                                                                                                                                                                                                                                                                                   |                                                                  |
|           | A summary discussion of the bank's approach to assessing the adequacy of its capital or support current and future activities                                                                                                                                                                                | Risk Management Report and Note 58.6 to the Financial Statements |
|           | ii. Quantitative disclosures                                                                                                                                                                                                                                                                                 |                                                                  |
|           | a. Capital requirements for credit risk, market risk and operational risk                                                                                                                                                                                                                                    | Capital Adequacy                                                 |
|           | b. Total and Tier I capital ratio                                                                                                                                                                                                                                                                            | Capital Adequacy                                                 |



# Capital Adequacy

Capital Adequacy Ratio (CAR) is the ratio of a bank's capital in relation to its risk weighted assets and it is decided by central banks and bank regulators to prevent banks from taking excess leverage and becoming insolvent in the process.

$$CAR = \frac{\text{Tier I Capital} + \text{Tier II Capital}}{\text{Risk Weighted Assets}}$$

## Journey from Basel I to Basel III

With a view to enhance the financial stability through the improvement of supervisory knowledge and ensuring continuous advancement of the quality of banking supervision worldwide, Basel Committee was established by the Governors of Central Banks in the G10 Countries at the end of 1974.

Capital adequacy became the main priority for the Committee. Backed by the G10 Governors, the Committee resolved to arrest and eradicate the erosion of capital standards within the banking system. This ensuing result was a broad consensus on a weighted approach to the measurement of risk, both on and off the Banks' balance sheets.

Introduced in 2004, Basel II encompasses guidelines for capital adequacy embedding more refined definitions for disclosures and risk management, which includes market risk and operational risk.

## Towards Basel III

Basel III is part of the continuous effort to enhance the banking regulatory framework. It builds on the Basel I and Basel II documents and seeks to improve the banking sector's ability to deal with financial stress, improve risk management and strengthen the Banks' transparency. A focus of Basel III is to foster greater resilience at the individual bank level in order to reduce the risk of system-wide shocks.

The three pillars as established by Basel II have been revised and strengthened, while the framework itself was extended with astute innovative features:

- An additional layer of common equity – the capital conservation buffer – that, when breached, restricts payouts of earnings to help protect the minimum common equity requirement;
- a countercyclical capital buffer, which places restrictions on participation by banks in system-wide credit booms with the aim of reducing their losses in credit busts;
- a leverage ratio – a minimum amount of loss-absorbing capital, relative to all of

a bank's assets and off-balance sheet exposures regardless of risk weighting. Leverage ratio will be implemented in Sri Lanka from 1 January 2018 with observation period commencing from 1st quarter 2017, which will be monitored by the Central Bank of Sri Lanka.

- Liquidity requirements – a minimum liquidity ratio, the liquidity coverage ratio (LCR), intended to provide enough cash to cover funding needs over a 30-day period of stress; and a longer-term ratio, the net stable funding ratio (NSFR), intended to address maturity mismatches over the entire balance sheet; and
- Additional proposals for domestic systemically important banks (D-SIBs), including requirements for supplementary capital, augmented contingent capital and strengthened arrangements for cross-border supervision and resolution. According to the Central Bank of Sri Lanka, banks with a total asset base of over LKR 500 billion, in the latest Annual Audited Financial Statements will be identified as D-SIBs in the banking sector.

| Basel III                                          |                                                                                        |                                                |
|----------------------------------------------------|----------------------------------------------------------------------------------------|------------------------------------------------|
| Pillar 1                                           | Pillar 2                                                                               | Pillar 3                                       |
| Enhanced Minimum Capital and Liquidity Requirement | Enhanced Supervisory Review Process for Firm-wide Risk Management and Capital Planning | Enhanced Risk Disclosure and Market Discipline |

The Central Bank of Sri Lanka, emphasising the need to improve the quantity and quality of capital prevalent within the banking system, issued new banking Act Direction No. 01 of 2016 to all Licensed Commercial Banks and Licensed Specialised Banks on the 29 December 2016, determining the framework for the implementation of Basel III minimum capital requirements across the banking sector which will be effective from the 1 July 2017.

Bank of Ceylon has already begun imbuing the directives within this framework, using a parallel calculation of Basel III from the third quarter of 2015. This is being calculated based on the Central Bank of Sri Lanka Guidelines.

The Bank's ratio remains above regulatory requirements as of 31 December 2016. Despite challenging conditions, BoC is well-positioned to meet the Basel III requirements when regulations become completely effective in 1 January 2019.

Basel III Transitional Phase-in-arrangement of capital requirements for banks with assets of LKR 500 billion and above

| Components of Capital                                                                                    | 01.07.2017<br>% | 01.01.2018<br>% | 01.01.2019<br>% |
|----------------------------------------------------------------------------------------------------------|-----------------|-----------------|-----------------|
| <b>Common Equity Tier I</b>                                                                              | 4.50            | 4.50            | 4.50            |
| Capital Conservation Buffer                                                                              | 1.25            | 1.875           | 2.50            |
| Surcharge on Domestic – Systematically Important Banks (D-SIBs)                                          | 0.50            | 1.00            | 1.50            |
| Additional Tier I Capital                                                                                | 1.50            | 1.50            | 1.50            |
| <b>Total Tier I Capital</b>                                                                              | <b>7.75</b>     | <b>8.875</b>    | <b>10.00</b>    |
| <b>Minimum Total Capital Ratio including Capital Conservation Buffer and Capital surcharge on D-SIBs</b> | <b>11.75</b>    | <b>12.875</b>   | <b>14.00</b>    |

|                                                                            | Bank                |                     | Group               |                     |
|----------------------------------------------------------------------------|---------------------|---------------------|---------------------|---------------------|
|                                                                            | 2016<br>LKR million | 2015<br>LKR million | 2016<br>LKR million | 2015<br>LKR million |
| <b>Tier I: Core Capital</b>                                                |                     |                     |                     |                     |
| Paid-up ordinary shares                                                    | 15,000              | 10,000              | 15,000              | 10,000              |
| Permanent reserve fund                                                     | 7,996               | 5,210               | 7,996               | 5,210               |
| Published retained profits                                                 | 54,155              | 51,086              | 55,659              | 53,888              |
| General and other reserves                                                 | 1,209               | 1,044               | 1,764               | 1,957               |
| Non-controlling interests (Consistent with the above capital constituents) | –                   | –                   | 879                 | 1,010               |
| <b>Deductions</b>                                                          |                     |                     |                     |                     |
| 50% of investments in unconsolidated banking and financial subsidiaries    | (2,179)             | (2,179)             | (2,150)             | (953)               |
| Other deductions                                                           | (2,053)             | (953)               | (2,150)             | (953)               |
| <b>Total eligible core capital (Tier I capital)</b>                        | <b>74,128</b>       | <b>64,207</b>       | <b>79,148</b>       | <b>71,112</b>       |
| <b>Tier II: Supplementary Capital</b>                                      |                     |                     |                     |                     |
| Revaluation Reserves (as approved by Central Bank of Sri Lanka)            | 2,373               | 2,373               | 2,373               | 2,373               |
| General Provisions                                                         | 4,648               | 3,857               | 4,647               | 3,857               |
| Approved Subordinated Term Debt                                            | 27,378              | 24,567              | 27,377              | 24,567              |
| Deductions                                                                 | (3,669)             | (2,759)             | (1,489)             | (580)               |
| <b>Total eligible supplementary capital (Tier II capital)</b>              | <b>30,730</b>       | <b>28,038</b>       | <b>32,909</b>       | <b>30,217</b>       |
| <b>Total capital base</b>                                                  | <b>104,858</b>      | <b>92,245</b>       | <b>112,057</b>      | <b>101,329</b>      |

## Risk-Weighted Assets

Risk weighted assets are computed as per the CBSL direction which specifies the risk-weight factors to be assigned to various asset classes as enumerated below.

| Computation of Risk-Weighted Assets                                                                                 | Risk-Weight Factor                | Bank                                                                                   |                                     |                                                                                        |                                     | Group                                                                                  |                                     |                                                                                        |                                     |
|---------------------------------------------------------------------------------------------------------------------|-----------------------------------|----------------------------------------------------------------------------------------|-------------------------------------|----------------------------------------------------------------------------------------|-------------------------------------|----------------------------------------------------------------------------------------|-------------------------------------|----------------------------------------------------------------------------------------|-------------------------------------|
|                                                                                                                     |                                   | 2016                                                                                   |                                     | 2015                                                                                   |                                     | 2016                                                                                   |                                     | 2015                                                                                   |                                     |
|                                                                                                                     |                                   | On Balance Sheet Assets & Credit Equivalent of Off Balance Sheet Assets<br>LKR million | Risk-Weighted Assets<br>LKR million | On Balance Sheet Assets & Credit Equivalent of Off Balance Sheet Assets<br>LKR million | Risk-Weighted Assets<br>LKR million | On Balance Sheet Assets & Credit Equivalent of Off Balance Sheet Assets<br>LKR million | Risk-Weighted Assets<br>LKR million | On Balance Sheet Assets & Credit Equivalent of Off Balance Sheet Assets<br>LKR million | Risk-Weighted Assets<br>LKR million |
| <b>Assets</b>                                                                                                       |                                   |                                                                                        |                                     |                                                                                        |                                     |                                                                                        |                                     |                                                                                        |                                     |
| Claims on Government of Sri Lanka and Central Bank of Sri Lanka                                                     | 0                                 | 604,897                                                                                | -                                   | 670,543                                                                                | -                                   | 611,663                                                                                |                                     | 676,228                                                                                |                                     |
| Claims on foreign sovereigns and their Central Banks                                                                | 0-150                             | 18,047                                                                                 | 17,217                              | 20,542                                                                                 | 19,923                              | 18,047                                                                                 | 17,217                              | 20,542                                                                                 | 19,923                              |
| Claims on Public Sector Entities (PSEs)                                                                             | 20-150                            | 72,847                                                                                 | 72,847                              | 60,154                                                                                 | 60,154                              | 72,847                                                                                 | 72,847                              | 60,154                                                                                 | 60,154                              |
| Claims on banks                                                                                                     | 20-150                            | 63,910                                                                                 | 33,074                              | 71,114                                                                                 | 37,754                              | 65,167                                                                                 | 34,331                              | 71,494                                                                                 | 38,134                              |
| Claims on financial institutions                                                                                    | 20-150                            | 26,260                                                                                 | 13,486                              | 8,996                                                                                  | 5,443                               | 26,260                                                                                 | 13,486                              | 8,996                                                                                  | 5,443                               |
| Claims on corporates                                                                                                | 20-150                            | 200,222                                                                                | 195,155                             | 147,338                                                                                | 145,371                             | 226,381                                                                                | 221,314                             | 178,877                                                                                | 176,910                             |
| Retail claims                                                                                                       | 75-100                            | 374,859                                                                                | 307,972                             | 261,303                                                                                | 217,016                             | 374,859                                                                                | 307,973                             | 261,303                                                                                | 217,016                             |
| Claims secured by residential property                                                                              | 50-100                            | 54,492                                                                                 | 36,135                              | 57,358                                                                                 | 38,135                              | 54,491                                                                                 | 36,135                              | 57,358                                                                                 | 38,135                              |
| Non-performing assets (NPAs)                                                                                        | 50-150                            | 4,457                                                                                  | 5,797                               | 15,549                                                                                 | 22,434                              | 4,457                                                                                  | 5,797                               | 15,549                                                                                 | 22,434                              |
| Cash items                                                                                                          | 0-20                              | 55,742                                                                                 | 2,673                               | 49,119                                                                                 | 734                                 | 61,280                                                                                 | 2,673                               | 52,925                                                                                 | 734                                 |
| Exposures collateralised by cash, gold & Government Securities                                                      | 0                                 | 242,523                                                                                |                                     | 253,269                                                                                |                                     | 242,523                                                                                |                                     | 253,269                                                                                |                                     |
| Property, plant and equipment                                                                                       | 100                               | 15,584                                                                                 | 15,584                              | 16,430                                                                                 | 16,430                              | 26,464                                                                                 | 26,464                              | 26,728                                                                                 | 26,728                              |
| Other assets                                                                                                        | 100                               | 34,879                                                                                 | 34,873                              | 34,769                                                                                 | 34,769                              | 35,806                                                                                 | 35,806                              | 35,543                                                                                 | 35,543                              |
| <b>Total exposure</b>                                                                                               |                                   | <b>1,768,719</b>                                                                       | <b>734,820</b>                      | <b>1,666,484</b>                                                                       | <b>598,163</b>                      | <b>1,820,245</b>                                                                       | <b>774,043</b>                      | <b>1,718,966</b>                                                                       | <b>641,154</b>                      |
| <b>Off balance sheet exposures</b>                                                                                  | <b>Credit conversion Factor %</b> | <b>Assets</b>                                                                          | <b>Credit equivalent</b>            | <b>Assets</b>                                                                          | <b>Credit equivalent</b>            | <b>Assets</b>                                                                          | <b>Credit equivalent</b>            | <b>Assets</b>                                                                          | <b>Credit equivalent</b>            |
| Direct credit substitutes                                                                                           | 100                               | 42,383                                                                                 | 42,383                              | 34,636                                                                                 | 34,636                              | 42,383                                                                                 | 42,383                              | 34,636                                                                                 | 34,636                              |
| Transaction-related contingencies                                                                                   | 50                                | 33,839                                                                                 | 16,919                              | 41,819                                                                                 | 20,909                              | 33,839                                                                                 | 16,919                              | 41,819                                                                                 | 20,909                              |
| Short-term self-liquidating trade-related contingencies                                                             | 20                                | 150,448                                                                                | 30,090                              | 159,923                                                                                | 31,985                              | 150,448                                                                                | 30,090                              | 159,923                                                                                | 31,985                              |
| Other commitments with an original maturity of up to one year or which can be unconditionally cancelled at any time | 0                                 | 81,126                                                                                 |                                     | 83,858                                                                                 |                                     | 81,126                                                                                 |                                     | 83,858                                                                                 |                                     |
| Commitments with an original maturity up to 1 year & maturity of over one year                                      | 20-50                             | 31,393                                                                                 | 15,589                              | 35,305                                                                                 | 17,091                              | 31,393                                                                                 | 15,589                              | 35,305                                                                                 | 17,091                              |
| Foreign exchange contracts                                                                                          | 2-5                               | 157,776                                                                                | 3,155                               | 110,472                                                                                | 2,209                               | 157,776                                                                                | 3,155                               | 110,472                                                                                | 2,209                               |
| <b>Total off balance sheet exposure</b>                                                                             |                                   | <b>496,965</b>                                                                         | <b>108,136</b>                      | <b>466,013</b>                                                                         | <b>106,830</b>                      | <b>496,965</b>                                                                         | <b>108,136</b>                      | <b>466,013</b>                                                                         | <b>106,830</b>                      |

**Market Risk – The Standardised Measurement Approach**

|                                                   | Bank                |                     | Group               |                     |
|---------------------------------------------------|---------------------|---------------------|---------------------|---------------------|
|                                                   | 2016<br>LKR million | 2015<br>LKR million | 2016<br>LKR million | 2015<br>LKR million |
| <b>Capital Charge for</b>                         |                     |                     |                     |                     |
| Interest rate risk                                | 77                  | 122                 | 77                  | 122                 |
| Equity                                            | 551                 | 682                 | 551                 | 682                 |
| Foreign exchange & gold                           | 1,359               | 1,725               | 1,359               | 1,725               |
| <b>Total capital charge for market risk</b>       | <b>1,987</b>        | <b>2,529</b>        | <b>1,987</b>        | <b>2,529</b>        |
| <b>Total risk-weighted assets for market risk</b> | <b>19,872</b>       | <b>25,294</b>       | <b>19,872</b>       | <b>25,294</b>       |

**Operational Risk – The Basic Indicator Approach**

|                                                        | Bank                |                     | Group               |                     |
|--------------------------------------------------------|---------------------|---------------------|---------------------|---------------------|
|                                                        | 2016<br>LKR million | 2015<br>LKR million | 2016<br>LKR million | 2015<br>LKR million |
| <b>Capital Charge for Operational Risk</b>             |                     |                     |                     |                     |
| Total gross income of three consecutive years          | 190,071             | 164,837             | 209,143             | 186,910             |
| Average gross income                                   | 63,357              | 54,946              | 69,714              | 62,303              |
| Total capital charge for operational risk – (15%)      | 9,503               | 8,241               | 10,457              | 9,345               |
| <b>Total risk weighted assets for operational risk</b> | <b>95,035</b>       | <b>82,418</b>       | <b>104,572</b>      | <b>93,455</b>       |

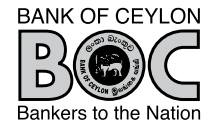
In the Basic Indicator Approach (BIA), the Bank shall calculate its annual gross income for the most recent year by aggregating the gross income of the last four financial quarters and follow same to calculate annual gross income for each of the two years preceding the most recent year.

The Central Bank of Sri Lanka has given the guidelines to the Sri Lankan banks to move to the standardised approach (TSA) or alternative standardised approach (ASA) subject to the prior approval.

|                                                        | Bank                |                     | Group               |                     |
|--------------------------------------------------------|---------------------|---------------------|---------------------|---------------------|
|                                                        | 2016<br>LKR million | 2015<br>LKR million | 2016<br>LKR million | 2015<br>LKR million |
| <b>Computation of Ratios</b>                           |                     |                     |                     |                     |
| <b>Total Risk Weighted Assets</b>                      |                     |                     |                     |                     |
| Total risk weighted assets for credit risk             | 734,820             | 598,163             | 774,043             | 641,154             |
| Total risk weighted assets for market risk             | 19,872              | 25,294              | 19,872              | 25,294              |
| Total risk weighted assets for operational risk        | 95,036              | 82,419              | 104,572             | 93,455              |
| <b>Sub total</b>                                       | <b>849,728</b>      | <b>705,876</b>      | <b>898,487</b>      | <b>759,903</b>      |
| <b>Minimum Capital Charge</b>                          |                     |                     |                     |                     |
| Credit risk                                            | 73,482              | 59,816              | 77,404              | 64,115              |
| Market risk                                            | 1,987               | 2,529               | 1,987               | 2,529               |
| Operational risk                                       | 9,503               | 8,241               | 10,457              | 9,345               |
| Total eligible core capital (Tier I capital)           | 74,128              | 64,207              | 79,148              | 71,112              |
| Total eligible supplementary capital (Tier II capital) | 30,730              | 28,038              | 32,909              | 30,217              |
| <b>Total capital base</b>                              | <b>104,858</b>      | <b>92,245</b>       | <b>112,057</b>      | <b>101,329</b>      |
| Core capital ratio (%)                                 | 8.7                 | 9.1                 | 8.8                 | 9.4                 |
| Total capital adequacy ratio (%)                       | 12.3                | 13.1                | 12.5                | 13.3                |

## Certificate of the Director on Transfer Pricing

**Deputy General Manager  
Finance & Planning Division**



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10<sup>th</sup> Floor, Bank of Ceylon Head Office, "BOC Square", No.1 Bank of Ceylon, Mawatha, Colombo 1, Sri Lanka.  
Tel: 2432680, Fax: 2448203, E-mail [dgmfp@boc.lk](mailto:dgmfp@boc.lk)

The Commissioner General  
Department of Inland Revenue,  
Colombo 2.

19 December 2016

Madam,

### Certificate of the Director on Transfer Pricing

It is certified that the Bank of Ceylon has complied with the Transfer Pricing Regulations issued under Section 104 of the Inland Revenue Act, No. 10 of 2006. The information pursuant to these Regulations is given in approved accountant certificate produced under Section 107(2) (a) of the said Inland Revenue Act. I believe that the record of transactions entered into with associated undertaking during the period from 01 of January 2015 to 31 December 2015 are at arm's length, not prejudicial to the interests of the Bank and not carried out for profit shifting purposes.

Records and information of all transactions have been submitted to the approved accountant who reviewed the transfer pricing records and no adverse remarks have been made in the certificate done by the approved accountant.

Bank of Ceylon – Head Office

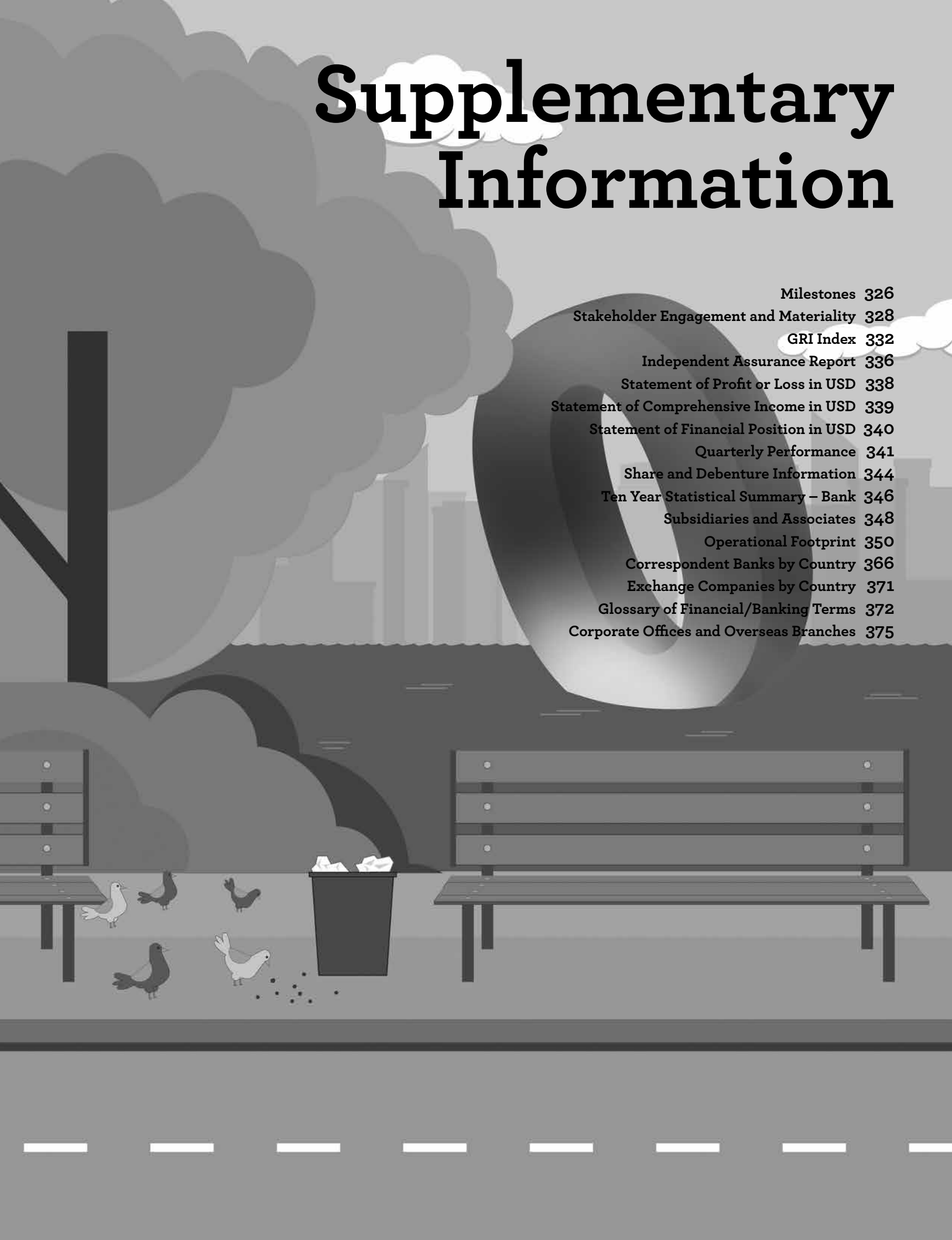
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Place

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For and on behalf of the Board of Directors



# Supplementary Information

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## Milestones

**1939**

Bank of Ceylon incorporated as the nation's first indigenous bank under the Bank of Ceylon Ordinance

**1941**

First branch of the Bank opened in Kandy

**1945**

The Bank widened into the periphery by opening branches in Jaffna and Trincomalee

**1961**

The Bank was nationalised in terms of the Finance Act No. 65 of 1961

**1967**

Staff training school established to uplift employees' skills

**1973**

Bank's sub-branches opened in each Agricultural Services Centre to enhance agricultural lending

**1981**

Fully fledged branch opened in Male

**1985**

New 32 storey Head Office opened at Echelon square, the tallest building in Sri Lanka at the time

**1988**

Entered into the Electronic Banking Era with the introduction of Automated Teller Machines and Cheque Guarantee Cards

**1999**

Bank's authorised capital raised to LKR 50,000 million by an Act of Parliament

**2004**

Introduced International Comprehensive Banking System (ICBS), an online, centralised computer system. Introduced Bank of Ceylon Flag

**2008**

Issued first ever listed, subordinated five year, Rupee debentures and raised LKR 4.2 billion

**2012**

Became the first bank in Sri Lanka to surpass LKR one trillion asset base

Issued US Dollar denominated 500 million, five year bonds listed in Singapore Stock Exchange for the first time in Sri Lankan commercial banking history

Exceeded 1,000 customer service points

Obtained an international rating in par with sovereign rating (Fitch = BB-/Stable, Moody's = B1/Stable)



**1946**

Foreign department opened in Colombo Fort to facilitate transactions of foreign exchange business

**1949**

First overseas branch opened in London

**1953**

Mr C Loganathan was appointed as the first native General Manager

**1978**

Non-Resident Foreign Currency (NRFC) deposits scheme introduced

**1979**

Foreign Currency Banking Unit set up to undertake off shore operations

Introduced service award for employees who completed 25 years in the Bank

**1980**

Set up the computer division

**1989**

Issued the first Credit Card in Sri Lanka to celebrate the golden jubilee of the Bank in collaboration with VISA international

**1992**

First Sri Lankan commercial bank to be ranked among the best 200 banks in Asia and 1,000 banks in the world by "Banker" magazine and retained the position to date

**1995**

Expanded overseas branches with a branch in Chennai

**2009**

Bank is evaluated as 'best brand name of the year' by Brand Finance Institution

BoC has retained the position to-date. Launched the Islamic Banking Unit with an island-wide coverage

**2010**

Converted the London Branch into a Subsidiary

**2011**

Fitch Ratings Lanka Ltd upgraded the Bank's rating to AA+ (lka) stable outlook, which the Bank maintains upto now

**2013**

Issued USD 500 million bond for second consecutive year

**2014**

Commemorated 75th anniversary

Entered the African continent by opening a branch in Seychelles

Obtained the services of Boston Consulting Group to reshape the business processes

**2015**

Became the first bank in Sri Lanka to surpass LKR one trillion deposit base and Introduced CDMs

**2016**

Triple trillion in balance sheet

BoC scored its third trillion in loans & advances, another unique milestone in its 77 year journey

LKR 31.2 billion Profit Before Tax

Asia Best Employer Brand 2016 conferred on BoC

## Stakeholder Engagement and Materiality

| Engagement Mechanism                                                                                                                                                                                                                                                                                                                             | Frequency and Communication Channel         | Engagement Framework                                                                                                                                                              | Identified Needs                                                                                                                                                                                                                                                                                  | Solutions/Needs Implemented                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Employees</b>                                                                                                                                                                                                                                                                                                                                 |                                             |                                                                                                                                                                                   |                                                                                                                                                                                                                                                                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <ul style="list-style-type: none"> <li>Employee engagement surveys</li> <li>Consultative meetings with the trade unions</li> <li>Employee suggestion schemes</li> <li>Grievance reporting procedure</li> <li>Social entertainment and sport events</li> <li>Welfare facilities to staff members</li> <li>Performance Appraisal system</li> </ul> | <p>Annually</p> <p>When the need arises</p> | <p>We will invest in developing our employees in an environment where they are treated with respect, while their professional development and economic well-being is enhanced</p> | <ul style="list-style-type: none"> <li>Development and career progression</li> <li>Performance enabling environment</li> <li>Work-life balance</li> <li>Health and safety</li> <li>Collective bargaining</li> <li>Equal opportunity</li> <li>Special needs of key groups such as women</li> </ul> | <ul style="list-style-type: none"> <li>An attractive salary increase given for all bank employees during the year</li> <li>Incentive bonus and annual bonus paid</li> <li>Financial support for professional and postgraduate studies, reimbursement of membership fee</li> <li>Comprehensive medical scheme, holiday home facilities, subsidised meals for staff at head office and subsidised transport facility for all staff</li> <li>Accident leave and compensation payments</li> <li>Providing facilities for health and well-being of the staff e.g. Gymnasium, Library, Yoga</li> </ul> |
| <b>Customers</b>                                                                                                                                                                                                                                                                                                                                 |                                             |                                                                                                                                                                                   |                                                                                                                                                                                                                                                                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <ul style="list-style-type: none"> <li>Online and local engagement by branch teams and relationship managers</li> <li>Customer satisfaction surveys</li> <li>Production, promotion campaigns and facilitation programmes</li> <li>Province customer day</li> </ul>                                                                               | <p>Regularly</p>                            | <p>We uphold the rights of our customers in line with our customer charter ensuring that they understand the terms and conditions relating to services accessed by them</p>       | <ul style="list-style-type: none"> <li>Customer service</li> <li>Convenience of transacting</li> <li>Up holding customer charter</li> <li>Improving financial inclusion through appropriate products, education advice and consultation</li> <li>Communication in language of choice</li> </ul>   | <ul style="list-style-type: none"> <li>Well scattered branch/ATM network enabling easy access to the customers.</li> <li>Diversified product portfolio from childhood to elders</li> <li>Speedy delivery e.g. housing loan within two weeks by two visits</li> <li>Technology driven e.g. e-banking facility, smart zone, and SmartGen account</li> <li>Microfinancing and SME banking</li> <li>Introduction of new products to improve financial inclusion e.g. Branch on the wheel, 'Samata Ginumak' programme</li> </ul>                                                                      |
| <b>Investors</b>                                                                                                                                                                                                                                                                                                                                 |                                             |                                                                                                                                                                                   |                                                                                                                                                                                                                                                                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <ul style="list-style-type: none"> <li>One to one meetings with large investors</li> <li>Relationships with intermediaries</li> <li>Investor presentation</li> <li>Road shows</li> </ul>                                                                                                                                                         | <p>When the need arises</p>                 | <p>We commit to providing a balanced review of our performance and prospects in our communications with investors ensuring a competitive return to their investment</p>           | <ul style="list-style-type: none"> <li>Comprehensive but concise information on operations and future out look at regular intervals</li> <li>Returns commensurate with risks assumed</li> <li>Exit mechanisms</li> </ul>                                                                          | <ul style="list-style-type: none"> <li>Rated by international and local rating agencies and continuous review</li> <li>Financial Statements are published on a quarterly basis in Colombo Stock Exchange web, BoC web and newspapers and comprehensive Annual Report in Sinhala, Tamil and English languages along with audited financials are published annually</li> <li>Complied with all regulatory guidelines</li> </ul>                                                                                                                                                                    |



| Engagement Mechanism                                                                                                                                                                                                                                                                                     | Frequency and Communication Channel | Engagement Framework                                                                                                                                                                                                                                | Identified Needs                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Solutions/Needs Implemented                                                                                                                                                                                                         |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Government and Regulators</b>                                                                                                                                                                                                                                                                         |                                     |                                                                                                                                                                                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                                                                                                                                                                                                                                     |
| <ul style="list-style-type: none"> <li>Periodic meetings with Regulators, Government on matters relating to performance and compliance</li> <li>Meetings, policy trend analysis and industry forums</li> <li>Continuous updating based on regulatory requirement of Government and Regulators</li> </ul> | Regularly                           | <p>The Bank is committed to meet its economic, social and environmental obligations in line with the country's strategy. The corporate plan of the Bank has adopted a sustainable integration programme with Government's development programme</p> | <ul style="list-style-type: none"> <li>Stability and growth of financial sector</li> <li>Large funding needs of the Government's capital expenditure</li> <li>Responsible business practices</li> <li>Alignment of national priorities to Bank's strategy</li> <li>Financial inclusion</li> <li>Financing and facilitation of Infrastructure projects</li> <li>Compliance with regulatory direction and contribution to ongoing dialogue on financial sector reform</li> <li>Value addition</li> </ul> | <ul style="list-style-type: none"> <li>Value added to Government during the year – LKR 30.1 Billion</li> <li>Major contributor to Government projects, through SOEs</li> <li>Facilitate to implement Government policies</li> </ul> |
| <b>Community</b>                                                                                                                                                                                                                                                                                         |                                     |                                                                                                                                                                                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                                                                                                                                                                                                                                     |
| <ul style="list-style-type: none"> <li>Local branch engagement, media, social events and sponsorships</li> <li>Higher degree of participation</li> </ul>                                                                                                                                                 | When the need arises                | We engage with local communities to develop economic activity providing opportunities and facilitating their socio economic well-being                                                                                                              | <ul style="list-style-type: none"> <li>Responsible business practices</li> <li>Community development</li> <li>Community empowerment</li> <li>Employment</li> <li>Financial strength and credibility</li> </ul>                                                                                                                                                                                                                                                                                         | <ul style="list-style-type: none"> <li>CSR activities</li> <li>Microfinancing and SME Banking</li> </ul>                                                                                                                            |
| <b>Suppliers and Service Providers</b>                                                                                                                                                                                                                                                                   |                                     |                                                                                                                                                                                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                                                                                                                                                                                                                                     |
| <ul style="list-style-type: none"> <li>Regular meetings, written communication</li> <li>Transparent bidding process</li> <li>Relationship building</li> </ul>                                                                                                                                            | When the need arises                | We recognise excellence in service by our suppliers and look to support their growth through mutually rewarding partnerships                                                                                                                        | <ul style="list-style-type: none"> <li>Business growth</li> <li>Ease of transacting</li> <li>Strategic partnerships</li> <li>Transformation in procurement process</li> <li>Open communication</li> <li>Transparent and equal opportunities on green criteria</li> </ul>                                                                                                                                                                                                                               | <ul style="list-style-type: none"> <li>Responsible business practices</li> </ul>                                                                                                                                                    |

## Determining Material Aspects

In identifying the material issues that may impact our Bank, we have considered all matters that are or are likely to be of relevance and significance to the ongoing business of the Bank, that could substantively influence the assessment made by our stakeholders. In this report, we have identified the relevance of the material issues that impact or have the potential to impact the Bank’s ability to create value over time. The material issues that may impact BoC are identified at an interactive session conducted for the formation and revision of the corporate plan attended by all Board members, Corporate Management Team and the Executive Management. The potential issues and events are discussed at length at this forum to determine the impact of each event. Identified events are assigned to the relevant Corporate Management Team member to monitor, measure and control the possible impact on the Bank’s performance and progress.

Events or issues that are considered material and may have an impact on financial reporting and sustainability reporting have been taken into consideration, if they are of such relevance and importance that they could affect the assessments of providers of financial capital and other stakeholders as well as our ability to create value. This process of value creation takes into account numerous factors including the Bank’s strategy,

strengths and weaknesses, the resilience of our business model, sustainability in the context of the triple bottom line, various opportunities and threats in the environment as well as the risks we are exposed to, the quality of relationships with our stakeholders and assessments of these relationships.

Further, the involvement of senior management and those charged with governance in the materiality determination process is emphasised and detailed in the Bank’s Sustainability Policy. This enables us to determine the best disclosure mechanisms and the uniqueness of our value creation process in a meaningful and transparent way.

## **BoC’s Materiality Determination Process**

### Relevance

Identifying relevant matters and its impact on the past, present or future of the Bank’s ability to create value over time with reference to our strategy, business model, capitals and the impacts on those capitals.

### Importance

Determining the importance by evaluating the magnitude of the impact based on past, present or future occurrence and/or the magnitude of the impact and likelihood of occurrence.

## Prioritisation

Prioritising material matters, which is a process involving Senior Management and those charged with governance based on their importance, ensuring they are satisfied with the filters and processes in place to identify material matters requiring their attention.

## Disclosure

Determining matters to be disclosed in the Report with reference to the importance these issues have to the Bank, its stakeholders and envisaged risk, frequency and impact on the value creation process.

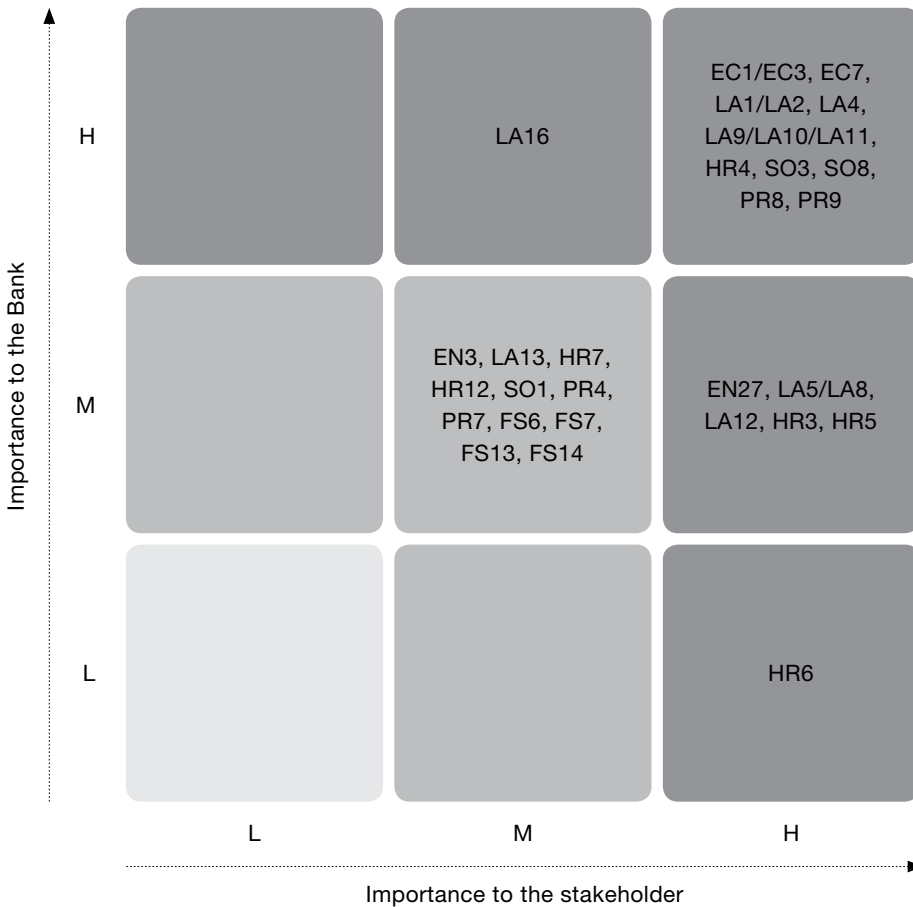
The Bank follows the GRI G4 Sustainability Reporting Guidelines published by the Global Reporting Initiative (GRI) to give direction in determining material aspects and indicators for disclosure within this Report. This also spotlights the virtuous cycle for measurement, monitoring and improvement of the identified indicators. The annual procedure for determination also discusses, if necessary, the need for amendments, in order to reflect any changes to the Bank’s value creation model and stakeholder requirements and aspirations.

The Bank continues to report under the ‘In accordance core’ option of the GRI G4 Sustainability Reporting Guideline stipulations, as it remains the most suitable form of reporting in the current circumstances.

| Category | Economic                        | Environmental                |
|----------|---------------------------------|------------------------------|
| Aspect   | Economic performance (EC1/EC3)  | Energy (EN3)                 |
|          | Indirect economic impacts (EC7) | Products and services (EN27) |

| Category    | Social                                            |                                                         |                                      |                                                    |
|-------------|---------------------------------------------------|---------------------------------------------------------|--------------------------------------|----------------------------------------------------|
| Subcategory | Labour Practices and Decent Work                  | Human Rights                                            | Society                              | Product Responsibility                             |
| Aspect      | Employment (LA1/LA2)                              | Non-discrimination (HR3)                                | Local communities (SO1) (FS13)(FS14) | Product and services labelling (PR4) (FS 6) (FS 7) |
|             | Labour management relations (LA4)                 | Freedom of association and collective bargaining (HR 4) | Anti-corruption (SO3)                | Marketing Communication (PR7)                      |
|             | Occupational health and safety (LA 5/LA 8)        | Child labour (HR5)                                      | Compliance (SO8)                     | Customer privacy (PR 8)                            |
|             | Training and education (LA 9/LA 10/LA 11)         | Forced or compulsory labour (HR 6)                      |                                      | Compliance (PR 9)                                  |
|             | Diversity and equal opportunity (LA 12)           | Security practices (HR7)                                |                                      |                                                    |
|             | Equal remuneration for men and Women (LA 13)      | Human rights grievance mechanisms (HR 12)               |                                      |                                                    |
|             | Labour practices and grievance mechanisms (LA 16) |                                                         |                                      |                                                    |

### Materiality Matrix



L - Low    M - Medium    H - High

# GRI Index

## GRI G4 content index – ‘In accordance – core’

| No.                                               | Disclosure Item                                                                                                                                      | Location/Explanation                                                                     | Page No.         |
|---------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------|------------------|
| <b>Strategy and Analysis</b>                      |                                                                                                                                                      |                                                                                          |                  |
| G4-1                                              | Statement from the most senior decision-maker                                                                                                        | Chairman’s Message                                                                       | 12               |
| <b>Organisational Profile</b>                     |                                                                                                                                                      |                                                                                          |                  |
| G4-3                                              | Name of the Organisation                                                                                                                             | Corporate Information                                                                    | Inner Back Cover |
| G4-4                                              | Primary brands, products, and/or services                                                                                                            | Fostering Mutually Rewarding Relationships                                               | 107 – 109        |
| G4-5                                              | Location of Organisation’s headquarters                                                                                                              | Corporate Information                                                                    | Inner Back Cover |
| G4-6                                              | Number of countries where the organisation operates and names of countries where the Organisation has significant operations                         | Integrated Reporting Framework                                                           | 5                |
| G4-7                                              | Nature of ownership and legal form                                                                                                                   | Corporate Information                                                                    | Inner Back Cover |
| G4-8                                              | Markets served                                                                                                                                       | Fostering Mutually Rewarding Relationships                                               | 111              |
| G4-9                                              | Scale of the reporting organisation                                                                                                                  | Highlights                                                                               | 2 – 4            |
| G4-10                                             | Employee details                                                                                                                                     | Recognising Our Employee Excellence                                                      | 124 – 125        |
| G4-11                                             | Percentage of total employees covered by collective bargaining agreements                                                                            | Recognising Our Employee Excellence                                                      | 127              |
| G4-12                                             | Describe the organisation’s supply chain                                                                                                             | Stakeholder Engagement and Materiality                                                   | 328-329          |
| G4-13                                             | Significant changes during the Reporting period regarding the Organisation’s size, structure, ownership, or its supply chain                         | No Significant Change                                                                    | –                |
| G4-14                                             | Report whether and how the precautionary approach or principle is addressed by the Organisation                                                      | Integrated Reporting Framework                                                           | 5                |
| G4-15                                             | Externally-developed economic, environmental, and social charters, principles, or other initiatives to which the Organisation subscribes or endorses | Compliance requirements enforced by Colombo Stock Exchange/the Central Bank of Sri Lanka | 314 – 318        |
| G4-16                                             | Memberships of associations and/or national/international advocacy organisations                                                                     | Fostering Mutually Rewarding Relationships                                               | 121              |
| <b>Identified Material Aspects and Boundaries</b> |                                                                                                                                                      |                                                                                          |                  |
| G4-17                                             | Entities included in the organisation’s consolidated Financial Statements or equivalent documents                                                    | Group Structure                                                                          | 156              |
| G4-18                                             | Process for defining the content and the Aspect Boundaries                                                                                           | Stakeholder Engagement and Materiality                                                   | 330              |
| G4-19                                             | Material aspects                                                                                                                                     | Stakeholder Engagement and Materiality                                                   | 331              |
| G4-20                                             | Aspect boundary within the organisation                                                                                                              | Stakeholder Engagement and Materiality                                                   | 330              |
| G4-21                                             | Aspect boundary outside the organisation                                                                                                             | Stakeholder Engagement and Materiality                                                   | 330              |
| G4-22                                             | The effect of any restatement of information provided in previous reports, and the reasons for such restatements                                     | Financial Reports                                                                        | 292              |
| G4-23                                             | Significant changes from previous Reporting period in the Scope and Aspect Boundaries.                                                               | No change                                                                                | –                |

| No.                                      | Disclosure Item                                                                                                  | Location/Explanation                          | Page No.         |
|------------------------------------------|------------------------------------------------------------------------------------------------------------------|-----------------------------------------------|------------------|
| <b>Stakeholder Engagement</b>            |                                                                                                                  |                                               |                  |
| G4-24                                    | Stakeholder groups engaged by the organisation                                                                   | Stakeholder Engagement and Materiality        | 328 – 329        |
| G4-25                                    | The basis for identification and selection of stakeholders                                                       | Stakeholder Engagement and Materiality        | 328 – 329        |
| G4-26                                    | Approach to stakeholder engagement                                                                               | Stakeholder Engagement and Materiality        | 328 – 329        |
| G4-27                                    | Key topics and concerns that have been raised through stakeholder engagement and the Organisation's response     | Stakeholder Engagement and Materiality        | 328 – 329        |
| <b>Report Profile</b>                    |                                                                                                                  |                                               |                  |
| G4-28                                    | Reporting period                                                                                                 | Integrated Reporting Framework                | 5                |
| G4-29                                    | Date of most recent previous report                                                                              | 31 December 2015                              | –                |
| G4-30                                    | Reporting cycle                                                                                                  | Annually                                      | –                |
| G4-31                                    | Contact point for questions regarding the report or its contents                                                 | Corporate Information                         | Inner Back Cover |
| G4-32                                    | Compliance with GRI G4 Guidelines, GRI Content Index and the External Assurance Report                           | Integrated Reporting Framework                | 5                |
| G4-33                                    | Policy and current practice with regard to seeking external assurance for the Report                             | Integrated Reporting Framework                | 5                |
| <b>Governance</b>                        |                                                                                                                  |                                               |                  |
| G4-34                                    | Governance structure of the organisation                                                                         | Corporate Governance                          | 61               |
| <b>Ethics and Integrity</b>              |                                                                                                                  |                                               |                  |
| G4-56                                    | Organisation's values, principles, standards and norms of behaviour such as codes of conduct and codes of ethics | Profitable catalyst for Equitable Development | 103              |
| <b>Specific Standard Disclosures</b>     |                                                                                                                  |                                               |                  |
| G4-DMA                                   | Disclosures on Management Approach                                                                               | Throughout the Report                         | –                |
| <b>Economic</b>                          |                                                                                                                  |                                               |                  |
| <b>Aspect: Economic Performance</b>      |                                                                                                                  |                                               |                  |
| G4-EC1                                   | Direct Economic value generated and distributed                                                                  | Creating Value Beyond the Numbers             | 25               |
| G4-EC3                                   | Coverage of the organisation's defined benefit plan obligations                                                  | Financial Reports                             | 159              |
| <b>Aspect: Indirect Economic Impacts</b> |                                                                                                                  |                                               |                  |
| G4-EC7                                   | Development and impact of infrastructure investments and services supported                                      | Committing Our Numbers to Sustainability      | 28 – 32          |
| <b>Environmental</b>                     |                                                                                                                  |                                               |                  |
| <b>Aspect: Energy</b>                    |                                                                                                                  |                                               |                  |
| G4-EN3                                   | Energy consumption within the organisation                                                                       | Beacon for Progress and Growth                | 131              |
| <b>Aspect: Products and Services</b>     |                                                                                                                  |                                               |                  |
| G4-EN27                                  | Extent of impact mitigation of environmental impacts of product and services                                     | Beacon for Progress and Growth                | 132              |

| No.                                                             | Disclosure Item                                                                                                                                                                         | Location/Explanation                | Page No.  |
|-----------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------|-----------|
| <b>Social</b>                                                   |                                                                                                                                                                                         |                                     |           |
| <b>Subcategory: Labour Practices and Decent Work</b>            |                                                                                                                                                                                         |                                     |           |
| <b>Aspect: Employment</b>                                       |                                                                                                                                                                                         |                                     |           |
| G4-LA1                                                          | Total number and rates of new employee hires and employee turnover by age group, gender and region                                                                                      | Recognising Our Employee Excellence | 123, 128  |
| G4-LA2                                                          | Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations                                                                 | Recognising Our Employee Excellence | 128       |
| <b>Aspect: Labour-Management relations</b>                      |                                                                                                                                                                                         |                                     |           |
| G4-LA4                                                          | Minimum notice periods regarding operational changes, including whether these are specified in collective agreements                                                                    | Three months                        | –         |
| <b>Aspect: Occupational Health and Safety</b>                   |                                                                                                                                                                                         |                                     |           |
| G4-LA5                                                          | Percentage of total workforce represented in formal joint management – worker health and safety committees                                                                              | Recognising our Employee Excellence | 127       |
| G4-LA8                                                          | Health and safety topics covered in formal agreements with trade unions                                                                                                                 | Recognising our Employee Excellence | 127       |
| <b>Aspect: Training and Education</b>                           |                                                                                                                                                                                         |                                     |           |
| G4-LA9                                                          | Average hours of training per year per employee by gender, and by employee category                                                                                                     | Recognising our Employee Excellence | 123, 126  |
| G4-LA10                                                         | Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings                                 | Recognising our Employee Excellence | 126       |
| G4-LA11                                                         | Percentage of employees receiving regular performance and career development reviews, by gender and by employee category                                                                | Recognising our Employee Excellence | 127       |
| <b>Aspect: Diversity and Equal Opportunity</b>                  |                                                                                                                                                                                         |                                     |           |
| G4-LA12                                                         | Composition of governance bodies and breakdown of employees per employee category according to gender, age, group, minority group membership, and other indicators of diversity         | Recognising our Employee Excellence | 124 – 125 |
| <b>Aspect: Equal Remuneration Women and Men</b>                 |                                                                                                                                                                                         |                                     |           |
| G4-LA13                                                         | Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation                                                                      | Male/Female basic salary is same    | –         |
| <b>Aspect: Labour Practices Grievance Mechanisms</b>            |                                                                                                                                                                                         |                                     |           |
| G4-LA16                                                         | Number of grievances about labour practices filed, addressed and resolved through formal grievance mechanisms                                                                           | None                                | –         |
| <b>Subcategory: Human Rights</b>                                |                                                                                                                                                                                         |                                     |           |
| <b>Aspect: Non-discrimination</b>                               |                                                                                                                                                                                         |                                     |           |
| G4-HR 3                                                         | Total number of incidents of discrimination actions taken                                                                                                                               | None                                | –         |
| <b>Aspect: Freedom of Association and Collective Bargaining</b> |                                                                                                                                                                                         |                                     |           |
| G4-HR4                                                          | Operations identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk and measures taken to support these rights | No such operations                  | –         |
| <b>Aspect: Child Labour</b>                                     |                                                                                                                                                                                         |                                     |           |
| G4-HR5                                                          | Operations identified as having significant risk for incidents of child labour                                                                                                          | None                                | –         |



| No.                                              | Disclosure Item                                                                                                                                                                            | Location/Explanation                                 | Page No.  |
|--------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------|-----------|
| <b>Aspect: Forced or Compulsory Labour</b>       |                                                                                                                                                                                            |                                                      |           |
| G4-HR6                                           | Operations identified as having significant risk for incidents of forced or compulsory labour                                                                                              | No compulsory labour                                 | –         |
| <b>Aspect: Security Practices</b>                |                                                                                                                                                                                            |                                                      |           |
| G4-HR7                                           | Percentage of security personnel trained in the Organisation's human rights policies or procedures that are relevant to operations                                                         | 63 programmes                                        | –         |
| <b>Aspect: Human Rights Grievance Mechanisms</b> |                                                                                                                                                                                            |                                                      |           |
| G4-HR12                                          | Number of grievances about human rights impacts filed, addressed and resolved through formal grievance mechanisms                                                                          | Recognising our Employee Excellence                  | 127       |
| <b>Subcategory: Society</b>                      |                                                                                                                                                                                            |                                                      |           |
| <b>Aspect: Local Communities</b>                 |                                                                                                                                                                                            |                                                      |           |
| G4-SO1                                           | Percentage of operations with implemented local community engagement, impact assessments and development programmes                                                                        | Stakeholder Engagement and Materiality               | 329       |
| FS-13                                            | Access points in low-populated or economically disadvantaged areas by type                                                                                                                 | Operational Footprint                                | 350 – 365 |
| FS-14                                            | Initiatives to improve access to financial services for disadvantaged people                                                                                                               | Fostering Mutually Rewarding Relationships           | 112       |
| <b>Aspect: Anti-corruption</b>                   |                                                                                                                                                                                            |                                                      |           |
| G4-SO3                                           | Operations assessed for risks related to corruption and the significant risks identified                                                                                                   | Risk Management – Ensuring the Safety of the Numbers | 88        |
| <b>Aspect: Compliance</b>                        |                                                                                                                                                                                            |                                                      |           |
| G4- SO8                                          | Monitory value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations                                                                | None                                                 | –         |
| <b>Subcategory: Product Responsibility</b>       |                                                                                                                                                                                            |                                                      |           |
| <b>Aspect: Product and Services Labelling</b>    |                                                                                                                                                                                            |                                                      |           |
| G4-PR 4                                          | Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcomes.                            | None                                                 | –         |
| FS-6                                             | Percentage of the portfolio for business lines by specific region, size and by sector                                                                                                      | Fostering Mutually Rewarding Relationships           | 104 – 120 |
| FS-7                                             | Monetary value of product and services designed to deliver a special social benefit for each business line broken down by purpose                                                          | Fostering Mutually Rewarding Relationships           | 104 – 120 |
| <b>Aspect: Marketing Communications</b>          |                                                                                                                                                                                            |                                                      |           |
| G4-PR 7                                          | Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion and sponsorship by type of outcomes | None                                                 | –         |
| <b>Aspect: Customer Privacy</b>                  |                                                                                                                                                                                            |                                                      |           |
| G4-PR8                                           | Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data                                                                                | None                                                 | –         |
| <b>Aspect: Compliance</b>                        |                                                                                                                                                                                            |                                                      |           |
| G4-PR9                                           | Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services                                                 | None                                                 | –         |

## Independent Assurance Report



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### Independent Assurance Report to the Stakeholders of Bank of Ceylon on the Sustainability Report – 2016

#### **Introduction and Scope of the Engagement**

The management of Bank of Ceylon ("Bank") engaged us to provide an independent assurance on the following elements of the Sustainability Report 2016 ("the Report").

- Reasonable assurance on the information on financial performance as specified on pages 24 and 25 of the Report.
- Limited assurance on key performance indicators and other information presented in the Report, prepared in accordance with the requirements of Global Reporting Initiative G4 in accordance with – core guideline.

#### **Responsibility of the Management on the Report**

The Management of the Bank is responsible for the preparation and presentation of the Report in accordance with the Bank's sustainability practices and policies which are derived from Global Reporting Initiatives (GRI-G4) Sustainability Reporting Guidelines. These responsibilities include among other things, identification of stakeholders and material issues, determining the sustainable performance criteria for reporting and establishing appropriate processes and internal control systems to measure and report the sustainability performance criteria.

#### **Our Responsibility**

Our responsibility is to perform a reasonable and limited assurance engagement and express conclusions based on the work performed 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 (CA Sri Lanka).

Reasonable assurance is a high level of assurance. However, reasonable assurance is not an absolute level of assurance because there are inherent limitations of assurance engagement.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement 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.

This Report is made solely to the Bank in accordance with our engagement letter dated 2 March 2017. 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 of Ethics for Professional Accountants issued by the CA Sri Lanka.

#### **Assurance Procedures Carried Out**

##### Financial Information

We reconciled the information on financial performance as reported on pages 24 and 25 of the Report with the audited Financial Statements of the Bank for the years ended 31 December 2015 and 2016.

##### Key Performance Indicators

We reviewed the reliability of the data/information on Key Performance Indicators for the year ended 31 December 2016 based on reviews of:

- the systems used to generate, aggregate and report these information;
- the information reported by the relevant business units to corporate level;
- the information validation processes at corporate and business level;
- the information trends in discussions with management; and
- the calculation performed by the Bank on a sample basis through recalculation.

#### **Other Information**

We planned and performed following assurance procedures on other information presented in the Report:

- Inquiring relevant Bank's personnel to understand the process for collection, analysis, aggregation and presentation of information in the Report.
- Reviewing the system used to generate, aggregate and report the information in the Report.

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Partners : Sujeewa Rajapakse FCA, FCMA, MBA. Tishan H. Subasinghe FCA, ACMA, CISA, MBA. H.Sasanka Rathnaweera FCA, ACMA. Ashane J.W. Jayasekara FCA, FCMA (UK), MBA. Hasanthi D. Amarakoon ACA, ACMA. R. Vasanthakumar Bsc (Acc), ACA



- Interviewing the senior management and relevant staff at corporate level and selected business unit level and obtained the evidence concerning sustainability strategy and policies for material issues and implementation of those across operation of the Bank.
- Reviewing and validating the Information contained in the Report.
- Reading the information presented in the Report to determine whether that information is in line with our overall knowledge of, and experience with, sustainability performance of the Bank.
- Comparison of the content of the report against the criteria for a Global Reporting Initiatives G4 in accordance with – core guidelines.

## Conclusion

Based on the procedures performed, as described above, we conclude that:

- The information on financial performance as specified on pages 24 and 25 of the Report is properly derived from the audited Financial Statements of the Bank for the years ended 31 December 2015 and 2016.
- Nothing has come to our attention that causes us to believe that key performance indicators and other information presented in the Report are not presented, in all material respects, in accordance with the Bank's sustainability practices and policies which are derived from GRI (G4) Sustainability Reporting Guidelines.

*BDO Partners*

**Chartered Accountants**  
Colombo

30 March 2017  
TS/cc

## Statement of Profit or Loss in USD

| For the year ended 31 December                                                                           | Bank             |                  | Group            |                  |
|----------------------------------------------------------------------------------------------------------|------------------|------------------|------------------|------------------|
|                                                                                                          | 2016<br>USD '000 | 2015<br>USD '000 | 2016<br>USD '000 | 2015<br>USD '000 |
| <b>Total income</b>                                                                                      | 1,028,848        | 912,813          | 1,066,097        | 957,810          |
| Interest income                                                                                          | 899,101          | 782,614          | 932,587          | 812,731          |
| Less: Interest expenses                                                                                  | 538,904          | 461,046          | 554,707          | 474,666          |
| <b>Net interest income</b>                                                                               | <b>360,197</b>   | <b>321,568</b>   | <b>377,880</b>   | <b>338,065</b>   |
| Fee and commission income                                                                                | 58,342           | 61,843           | 59,967           | 64,267           |
| Less : Fee and commission expenses                                                                       | 10,148           | 7,433            | 10,729           | 8,167            |
| <b>Net fee and commission income</b>                                                                     | <b>48,194</b>    | <b>54,410</b>    | <b>49,238</b>    | <b>56,100</b>    |
| Net gains/(losses) from trading                                                                          | 13,762           | 27,544           | 13,601           | 27,663           |
| Net gains/(losses) from financial instruments designated at fair value through profit or loss            | -                | -                | -                | -                |
| Net gains/(losses) from financial investments                                                            | 1,828            | 4,237            | 2,085            | 4,456            |
| Other operating income                                                                                   | 55,814           | 36,575           | 57,857           | 48,693           |
| <b>Total operating income</b>                                                                            | <b>479,795</b>   | <b>444,334</b>   | <b>500,661</b>   | <b>474,977</b>   |
| Less: Impairment charge/(reversal) for loans and other losses                                            | 29,351           | 40,981           | 29,513           | 44,189           |
| <b>Net operating income</b>                                                                              | <b>450,444</b>   | <b>403,353</b>   | <b>471,148</b>   | <b>430,788</b>   |
| <b>Less: Operating expenses</b>                                                                          |                  |                  |                  |                  |
| Personnel expenses                                                                                       | 112,446          | 116,229          | 122,893          | 126,043          |
| Other expenses                                                                                           | 87,974           | 78,223           | 105,059          | 94,725           |
| <b>Total operating expenses</b>                                                                          | <b>200,420</b>   | <b>194,452</b>   | <b>227,952</b>   | <b>220,768</b>   |
| <b>Operating profit before Value Added Tax (VAT) and Nation Building Tax (NBT) on financial services</b> | <b>250,024</b>   | <b>208,901</b>   | <b>243,196</b>   | <b>210,020</b>   |
| Less: Value Added Tax (VAT) and Nation Building Tax (NBT) on financial services                          | 41,822           | 33,428           | 42,568           | 33,825           |
| <b>Operating profit after Value Added Tax (VAT) and Nation Building Tax (NBT) on financial services</b>  | <b>208,202</b>   | <b>175,473</b>   | <b>200,628</b>   | <b>176,195</b>   |
| Share of profits/(losses) of associate companies, net of tax                                             | -                | -                | 420              | 650              |
| <b>Profit before income tax</b>                                                                          | <b>208,202</b>   | <b>175,473</b>   | <b>201,048</b>   | <b>176,845</b>   |
| Less: Income tax expense                                                                                 | 42,708           | 54,986           | 44,934           | 56,151           |
| <b>Profit for the year</b>                                                                               | <b>165,494</b>   | <b>120,487</b>   | <b>156,114</b>   | <b>120,694</b>   |
| <b>Profit attributable to:</b>                                                                           |                  |                  |                  |                  |
| Equity holder of the Bank                                                                                | 165,494          | 120,487          | 156,853          | 120,615          |
| Non-controlling interest                                                                                 | -                | -                | (739)            | 79               |
| <b>Profit for the year</b>                                                                               | <b>165,494</b>   | <b>120,487</b>   | <b>156,114</b>   | <b>120,694</b>   |
| <b>Earnings per share:</b>                                                                               |                  |                  |                  |                  |
| Basic earnings per share (USD)                                                                           | 16.55            | 16.91            | 15.69            | 16.93            |
| Diluted earnings per share (USD)                                                                         | 16.28            | 12.05            | 15.43            | 12.06            |
| Dividend per share (USD)                                                                                 | 11.58            | 6.18             | 11.58            | 6.18             |

Exchange rate of one USD was LKR 149.80 as at 31 December 2016 (LKR 144.06 as at 31 December 2015).

The Statement of Profit or Loss given in this page does not form part of the Audited Financial Statements and it is solely for the convenience of the shareholder, investors, bankers and other interested parties of the Financial Statements of the Bank.

## Statement of Comprehensive Income in USD

| For the year ended 31 December                                                                  | Bank             |                  | Group            |                  |
|-------------------------------------------------------------------------------------------------|------------------|------------------|------------------|------------------|
|                                                                                                 | 2016<br>USD '000 | 2015<br>USD '000 | 2016<br>USD '000 | 2015<br>USD '000 |
| <b>Profit for the year</b>                                                                      | 165,494          | 120,487          | 156,114          | 120,694          |
| <b>Other comprehensive income, net of tax</b>                                                   | -                | -                | -                | -                |
| <b>Items that will not be reclassified to profit or loss</b>                                    | -                | -                | -                | -                |
| Changes in revaluation surplus/(deficit)                                                        | 9,310            | 57               | 15,404           | 6,480            |
| Deferred tax effect on above                                                                    | -                | 86               | (1,706)          | (1,713)          |
| Actuarial gains/(losses) on defined benefit plans                                               | (10,827)         | (6,977)          | (10,551)         | (6,719)          |
| Deferred tax effect on above                                                                    | 214              | (2,535)          | 201              | (2,618)          |
| <b>Net other comprehensive income that will not be reclassified to profit or loss</b>           | (1,303)          | (9,369)          | 3,348            | (4,570)          |
| <b>Items that are or may be reclassified to profit or loss</b>                                  |                  |                  |                  |                  |
| Exchange gains/(losses) arising from translating the financial statements of foreign operations | 1,107            | 3,190            | (1,522)          | 4,013            |
| Gains/(Losses) on remeasuring available for sale financial investments                          | (6,848)          | (9,023)          | (6,390)          | (7,598)          |
| Deferred tax effect on above                                                                    | (59)             | (851)            | (59)             | (851)            |
| Realised gains on available for sale financial investments transferred to profit or loss        | (104)            | (26)             | (104)            | (26)             |
| Share of other comprehensive income of associate companies, net of tax                          | -                | -                | 15               | 3                |
| <b>Net other comprehensive income that are or may be reclassified to profit or loss</b>         | (5,904)          | (6,710)          | (8,060)          | (4,459)          |
| <b>Other comprehensive income for the year, net of tax</b>                                      | (7,207)          | (16,079)         | (4,712)          | (9,029)          |
| <b>Total comprehensive income for the year</b>                                                  | 158,287          | 104,408          | 151,402          | 111,665          |
| <b>Attributable to:</b>                                                                         |                  |                  |                  |                  |
| Equity holder of the Bank                                                                       | 158,287          | 104,408          | 151,925          | 111,392          |
| Non-controlling interest                                                                        | -                | -                | (523)            | 273              |
| <b>Total comprehensive income for the year</b>                                                  | 158,287          | 104,408          | 151,402          | 111,665          |

Exchange rate of one USD was LKR 149.80 as at 31 December 2016 (LKR 144.06 as at 31 December 2015).

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## Statement of Financial Position in USD

| As at 31 December                                             | Bank              |                   | Group             |                   |
|---------------------------------------------------------------|-------------------|-------------------|-------------------|-------------------|
|                                                               | 2016<br>USD '000  | 2015<br>USD '000  | 2016<br>USD '000  | 2015<br>USD '000  |
| <b>Assets</b>                                                 |                   |                   |                   |                   |
| Cash and cash equivalents                                     | 451,975           | 554,736           | 488,946           | 581,156           |
| Balances with Central Banks                                   | 376,420           | 270,298           | 376,420           | 270,298           |
| Placements with banks                                         | 77,935            | 194,191           | 86,326            | 196,829           |
| Securities purchased under resale agreements                  | 12,694            | 85,373            | 15,692            | 94,951            |
| Derivative financial instruments                              | 35,386            | 51,501            | 35,386            | 51,501            |
| Financial instruments – Held for trading                      | 56,569            | 84,500            | 58,776            | 88,337            |
| Financial investments – Loans and receivables                 | 1,280,872         | 1,614,310         | 1,281,603         | 1,617,382         |
| Loans and advances to customers                               | 6,676,119         | 5,739,112         | 6,860,935         | 5,913,450         |
| Financial investments – Available for sale                    | 69,847            | 83,447            | 108,569           | 112,914           |
| Financial investments – Held to maturity                      | 1,623,354         | 1,709,598         | 1,623,858         | 1,710,021         |
| Investment in subsidiary companies                            | 41,476            | 43,128            | –                 | –                 |
| Investment in associate companies                             | 621               | 5,852             | 2,808             | 13,274            |
| Investment properties                                         | 20,027            | –                 | 852               | 1,012             |
| Property, Plant and Equipment                                 | 103,352           | 113,324           | 194,927           | 183,544           |
| Leasehold properties                                          | 680               | 726               | 909               | 974               |
| Intangible assets                                             | 3,762             | 2,591             | 4,377             | 3,498             |
| Deferred tax assets                                           | –                 | –                 | 36                | 70                |
| Other assets                                                  | 312,379           | 333,496           | 318,570           | 337,893           |
| <b>Total assets</b>                                           | <b>11,143,468</b> | <b>10,886,183</b> | <b>11,458,990</b> | <b>11,177,104</b> |
| <b>Liabilities</b>                                            |                   |                   |                   |                   |
| Due to banks                                                  | 13,634            | 18,259            | 13,711            | 18,276            |
| Securities sold under repurchase agreements                   | 396,693           | 606,357           | 393,363           | 598,449           |
| Derivative financial instruments                              | 1,146             | 1,085             | 1,146             | 1,085             |
| Due to customers                                              | 8,388,448         | 7,512,980         | 8,502,212         | 7,621,360         |
| Other borrowings                                              | 1,304,872         | 1,735,979         | 1,365,055         | 1,775,587         |
| Debt securities issued                                        | 22,878            | 23,789            | 55,810            | 60,417            |
| Current tax liabilities                                       | –                 | 14,444            | 1,689             | 15,855            |
| Deferred tax liabilities                                      | 9,608             | 10,530            | 27,228            | 27,409            |
| Insurance provision – Life                                    | –                 | –                 | 3,436             | 3,084             |
| Insurance provision – Non-life                                | –                 | –                 | 5,176             | 3,593             |
| Other liabilities                                             | 128,383           | 149,833           | 144,569           | 160,957           |
| Subordinated term debts                                       | 257,982           | 247,306           | 255,643           | 244,964           |
| <b>Total liabilities</b>                                      | <b>10,523,644</b> | <b>10,320,562</b> | <b>10,769,038</b> | <b>10,531,036</b> |
| <b>Equity</b>                                                 |                   |                   |                   |                   |
| Share capital                                                 | 100,134           | 69,414            | 100,134           | 69,414            |
| Permanent reserve fund                                        | 53,378            | 36,165            | 53,378            | 36,165            |
| Retained earnings                                             | 361,513           | 354,611           | 371,555           | 374,062           |
| Other reserves                                                | 104,799           | 105,431           | 159,014           | 159,412           |
| <b>Total equity attributable to equity holder of the Bank</b> | <b>619,824</b>    | <b>565,621</b>    | <b>684,081</b>    | <b>639,053</b>    |
| Non-controlling interest                                      | –                 | –                 | 5,871             | 7,015             |
| <b>Total equity</b>                                           | <b>619,824</b>    | <b>565,621</b>    | <b>689,952</b>    | <b>646,068</b>    |
| <b>Total liabilities and equity</b>                           | <b>11,143,468</b> | <b>10,886,183</b> | <b>11,458,990</b> | <b>11,177,104</b> |
| Contingent liabilities and commitments                        | 3,654,196         | 4,837,192         | 3,660,438         | 4,844,696         |
| Net assets value per share (USD)                              | 61.98             | 56.56             | 68.41             | 63.91             |

Exchange rate of one USD was LKR 149.80 as at 31 December 2016 (LKR 144.0623 as at 31 December 2015).

The Statement of Financial Position given in this page does not form part of the Audited Financial Statements and it is solely for the convenience of the shareholder, investors, bankers and other interested parties of the Financial Statements of the Bank.

## Quarterly Performance

### Summary of the Statement of Profit or Loss

*LKR million*

| For the quarter ended                                        | 2016         |              |              |               | 2015         |              |              |               |
|--------------------------------------------------------------|--------------|--------------|--------------|---------------|--------------|--------------|--------------|---------------|
|                                                              | 31 March     | 30 June      | 30 September | 31 December   | 31 March     | 30 June      | 30 September | 31 December   |
| <b>Bank</b>                                                  |              |              |              |               |              |              |              |               |
| Net interest income                                          | 12,738       | 12,285       | 13,353       | 15,581        | 11,046       | 12,292       | 12,173       | 10,815        |
| Non-interest income                                          | 3,145        | 4,578        | 4,500        | 7,213         | 3,928        | 4,109        | 5,386        | 5,333         |
| Non-interest expense                                         | (6,196)      | (8,600)      | (9,586)      | (7,161)       | (5,903)      | (7,277)      | (7,551)      | (8,354)       |
| Impairment (charge)/reversal for loans and other losses      | (572)        | 165          | (252)        | (3,738)       | (3,921)      | (3,363)      | (1,441)      | 2,822         |
| <b>Operating profit before VAT and NBT</b>                   | <b>9,115</b> | <b>8,428</b> | <b>8,015</b> | <b>11,895</b> | <b>5,150</b> | <b>5,761</b> | <b>8,567</b> | <b>10,616</b> |
| VAT and NBT on financial services                            | (1,268)      | (1,478)      | (1,427)      | (2,091)       | (794)        | (1,034)      | (1,098)      | (1,889)       |
| <b>Profit before income tax</b>                              | <b>7,847</b> | <b>6,950</b> | <b>6,588</b> | <b>9,804</b>  | <b>4,356</b> | <b>4,727</b> | <b>7,469</b> | <b>8,727</b>  |
| Income tax expense                                           | (2,035)      | (1,948)      | (1,539)      | (876)         | (1,382)      | (1,034)      | (1,846)      | (3,660)       |
| <b>Profit after income tax</b>                               | <b>5,812</b> | <b>5,002</b> | <b>5,049</b> | <b>8,928</b>  | <b>2,974</b> | <b>3,693</b> | <b>5,623</b> | <b>5,067</b>  |
| Other comprehensive income                                   | (1,075)      | 90           | 515          | (610)         | (379)        | 308          | (259)        | (1,986)       |
| <b>Total comprehensive income</b>                            | <b>4,737</b> | <b>5,092</b> | <b>5,564</b> | <b>8,318</b>  | <b>2,595</b> | <b>4,001</b> | <b>5,364</b> | <b>3,081</b>  |
| <b>Group</b>                                                 |              |              |              |               |              |              |              |               |
| Net interest income                                          | 13,370       | 12,893       | 14,004       | 16,339        | 11,596       | 12,866       | 12,767       | 11,473        |
| Non-interest income                                          | 3,332        | 4,577        | 5,506        | 6,584         | 4,200        | 4,100        | 6,577        | 6,022         |
| Non-interest expense                                         | (6,982)      | (9,224)      | (11,002)     | (8,546)       | (6,633)      | (7,766)      | (9,161)      | (9,421)       |
| Impairment (charge)/reversal for loans and other losses      | (586)        | 181          | (251)        | (3,764)       | (4,160)      | (3,435)      | (1,545)      | 2,776         |
| <b>Operating profit before VAT and NBT</b>                   | <b>9,134</b> | <b>8,427</b> | <b>8,257</b> | <b>10,613</b> | <b>5,003</b> | <b>5,765</b> | <b>8,638</b> | <b>10,850</b> |
| VAT and NBT on financial services                            | (1,288)      | (1,514)      | (1,453)      | (2,122)       | (797)        | (1,054)      | (1,115)      | (1,907)       |
| <b>Operating profit after VAT and NBT</b>                    | <b>7,846</b> | <b>6,913</b> | <b>6,804</b> | <b>8,491</b>  | <b>4,206</b> | <b>4,711</b> | <b>7,523</b> | <b>8,943</b>  |
| Share of profits/(losses) of associate companies, net of tax | 1            | 41           | 36           | (15)          | 57           | 22           | 16           | (1)           |
| <b>Profit before income tax</b>                              | <b>7,847</b> | <b>6,954</b> | <b>6,840</b> | <b>8,476</b>  | <b>4,263</b> | <b>4,733</b> | <b>7,539</b> | <b>8,942</b>  |
| Income tax expense                                           | (2,066)      | (2,022)      | (1,573)      | (1,070)       | (1,417)      | (1,073)      | (1,879)      | (3,720)       |
| <b>Profit after income tax</b>                               | <b>5,781</b> | <b>4,932</b> | <b>5,267</b> | <b>7,406</b>  | <b>2,846</b> | <b>3,660</b> | <b>5,660</b> | <b>5,222</b>  |
| Other comprehensive income                                   | (1,419)      | 202          | 632          | (121)         | (693)        | 602          | (113)        | (1,097)       |
| <b>Total comprehensive income</b>                            | <b>4,362</b> | <b>5,134</b> | <b>5,899</b> | <b>7,285</b>  | <b>2,153</b> | <b>4,262</b> | <b>5,547</b> | <b>4,125</b>  |

**Summary of the Statement of Financial Position**

LKR million

| As at                               | 2016             |                  |                  |                  | 2015             |                  |                  |                  |
|-------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
|                                     | 31 March         | 30 June          | 30 September     | 31 December      | 31 March         | 30 June          | 30 September     | 31 December      |
| <b>Bank</b>                         |                  |                  |                  |                  |                  |                  |                  |                  |
| <b>Assets</b>                       |                  |                  |                  |                  |                  |                  |                  |                  |
| Investments                         | 526,305          | 514,882          | 506,561          | 462,198          | 434,900          | 451,103          | 460,460          | 522,400          |
| Loans and advances to customers     | 869,096          | 875,036          | 901,114          | 1,000,083        | 805,370          | 794,001          | 834,919          | 826,790          |
| Property, Plant and Equipment       | 16,738           | 16,758           | 16,943           | 16,147           | 16,661           | 16,761           | 16,740           | 16,804           |
| Other assets                        | 185,437          | 176,020          | 199,115          | 190,863          | 132,902          | 144,614          | 171,710          | 202,295          |
| <b>Total assets</b>                 | <b>1,597,576</b> | <b>1,582,696</b> | <b>1,623,733</b> | <b>1,669,291</b> | <b>1,389,833</b> | <b>1,406,479</b> | <b>1,483,829</b> | <b>1,568,289</b> |
| <b>Liabilities and Equity</b>       |                  |                  |                  |                  |                  |                  |                  |                  |
| Due to customers                    | 1,100,833        | 1,118,938        | 1,180,113        | 1,256,589        | 912,402          | 947,347          | 997,623          | 1,082,337        |
| Debt securities and borrowed funds  | 383,596          | 342,641          | 327,844          | 296,967          | 379,930          | 354,899          | 383,496          | 376,497          |
| Other liabilities                   | 27,099           | 31,977           | 25,745           | 22,885           | 20,274           | 24,504           | 19,591           | 27,970           |
| Equity                              | 86,048           | 89,140           | 90,031           | 92,850           | 77,227           | 79,729           | 83,119           | 81,485           |
| <b>Total liabilities and equity</b> | <b>1,597,576</b> | <b>1,582,696</b> | <b>1,623,733</b> | <b>1,669,291</b> | <b>1,389,833</b> | <b>1,406,479</b> | <b>1,483,829</b> | <b>1,568,289</b> |
| <b>Group</b>                        |                  |                  |                  |                  |                  |                  |                  |                  |
| <b>Assets</b>                       |                  |                  |                  |                  |                  |                  |                  |                  |
| Investments                         | 527,895          | 516,347          | 508,330          | 463,078          | 436,503          | 452,684          | 461,449          | 523,937          |
| Loans and advances to customers     | 894,477          | 900,380          | 927,338          | 1,027,768        | 827,705          | 816,898          | 858,610          | 851,905          |
| Property, Plant and Equipment       | 26,886           | 26,789           | 26,913           | 29,992           | 26,342           | 26,440           | 26,248           | 27,086           |
| Other assets                        | 190,277          | 179,849          | 208,463          | 195,719          | 137,571          | 151,816          | 176,764          | 207,271          |
| <b>Total assets</b>                 | <b>1,639,535</b> | <b>1,623,365</b> | <b>1,671,044</b> | <b>1,716,557</b> | <b>1,428,121</b> | <b>1,447,838</b> | <b>1,523,071</b> | <b>1,610,199</b> |
| <b>Liabilities and Equity</b>       |                  |                  |                  |                  |                  |                  |                  |                  |
| Due to customers                    | 1,117,728        | 1,134,868        | 1,196,566        | 1,273,631        | 923,824          | 960,823          | 1,012,698        | 1,097,951        |
| Debt securities and borrowed funds  | 392,084          | 350,434          | 341,515          | 310,067          | 390,599          | 366,648          | 391,595          | 386,003          |
| Other liabilities                   | 32,409           | 37,624           | 31,296           | 29,505           | 26,135           | 30,052           | 24,888           | 33,171           |
| Equity                              | 96,326           | 99,433           | 100,619          | 102,475          | 86,523           | 89,247           | 92,823           | 92,064           |
| Non-controlling interest            | 988              | 1,006            | 1,048            | 879              | 1,040            | 1,068            | 1,067            | 1,010            |
| <b>Total liabilities and equity</b> | <b>1,639,535</b> | <b>1,623,365</b> | <b>1,671,044</b> | <b>1,716,557</b> | <b>1,428,121</b> | <b>1,447,838</b> | <b>1,523,071</b> | <b>1,610,199</b> |



## Summary of the Financial Measures

| As at                                                                                 | 2016     |         |              |             | 2015     |         |              |             |
|---------------------------------------------------------------------------------------|----------|---------|--------------|-------------|----------|---------|--------------|-------------|
|                                                                                       | 31 March | 30 June | 30 September | 31 December | 31 March | 30 June | 30 September | 31 December |
| <b>Bank</b>                                                                           |          |         |              |             |          |         |              |             |
| <b>Profitability</b>                                                                  |          |         |              |             |          |         |              |             |
| Interest margin (%)                                                                   | 3.2      | 3.2     | 3.2          | 3.3         | 3.3      | 3.4     | 3.4          | 3.3         |
| Return on average assets (before tax) (%)                                             | 1.9      | 1.9     | 1.8          | 1.9         | 1.3      | 1.3     | 1.6          | 1.7         |
| Return on average equity (after tax) (%)                                              | 27.8     | 25.3    | 24.7         | 28.4        | 15.7     | 17.3    | 20.8         | 22.2        |
| <b>Investor Information</b>                                                           |          |         |              |             |          |         |              |             |
| Interest cover (times)                                                                | 2.4      | 2.3     | 2.2          | 2.3         | 1.9      | 1.9     | 2.1          | 2.2         |
| Net assets value per share (LKR)                                                      | 8,605    | 8,914   | 9,003        | 9,285       | 15,446   | 15,946  | 8,312        | 8,148       |
| <b>Capital Adequacy Ratio</b>                                                         |          |         |              |             |          |         |              |             |
| Core capital adequacy ratio, % (Tier I)                                               | 8.9      | 8.3     | 7.6          | 8.7         | 8.6      | 8.4     | 8.4          | 9.1         |
| Total capital adequacy ratio, % (Tier I + II)                                         | 12.8     | 11.9    | 10.8         | 12.3        | 12.4     | 11.9    | 11.8         | 13.1        |
| <b>Assets Quality</b>                                                                 |          |         |              |             |          |         |              |             |
| Gross non-performing advances ratio (%)<br>(Net of interest in suspense)              | 3.8      | 3.5     | 3.4          | 2.9         | 4.4      | 5.4     | 5.1          | 4.3         |
| Net non-performing advances ratio (%)<br>(Net of interest in suspense and provisions) | 1.4      | 1.1     | 1.2          | 0.4         | 2.2      | 2.9     | 2.6          | 1.8         |
| <b>Regulatory Liquidity</b>                                                           |          |         |              |             |          |         |              |             |
| Statutory liquid assets ratio                                                         |          |         |              |             |          |         |              |             |
| – Domestic banking unit (%)                                                           | 23.9     | 22.1    | 24.1         | 21.6        | 26.6     | 30.8    | 26.0         | 28.2        |
| – Off-shore banking unit (%)                                                          | 35.5     | 39.8    | 35.0         | 28.1        | 31.7     | 28.9    | 31.3         | 37.6        |
| <b>Group</b>                                                                          |          |         |              |             |          |         |              |             |
| <b>Profitability</b>                                                                  |          |         |              |             |          |         |              |             |
| Interest margin (%)                                                                   | 3.3      | 3.3     | 3.3          | 3.4         | 3.3      | 3.5     | 3.4          | 3.4         |
| Return on average assets (before tax) (%)                                             | 1.9      | 1.8     | 1.8          | 1.8         | 1.2      | 1.3     | 1.5          | 1.7         |
| Return on average equity (after tax) (%)                                              | 24.3     | 22.1    | 21.9         | 23.8        | 13.2     | 14.8    | 18.1         | 19.5        |
| <b>Investor Information</b>                                                           |          |         |              |             |          |         |              |             |
| Net assets value per share (LKR)                                                      | 9,633    | 9,943   | 10,062       | 10,247      | 17,305   | 17,849  | 9,282        | 9,206       |
| <b>Capital Adequacy Ratio</b>                                                         |          |         |              |             |          |         |              |             |
| Core capital adequacy ratio, % (Tier I)                                               | 9.2      | 8.5     | 8.0          | 8.8         | 9.0      | 8.7     | 8.7          | 9.4         |
| Total capital adequacy ratio, % (Tier I + II)                                         | 13.2     | 12.2    | 11.3         | 12.5        | 12.9     | 12.3    | 12.1         | 13.3        |

## Share and Debenture Information

### Share Information

| As at 31 December       | 2016                   |           | 2015                   |           |
|-------------------------|------------------------|-----------|------------------------|-----------|
|                         | No. of Ordinary Shares | Holding % | No. of Ordinary Shares | Holding % |
| Shareholder             |                        |           |                        |           |
| Government of Sri Lanka | 15,000,000*            | 100       | 10,000,000             | 100       |

\*This includes 5,000,000 Nos. of shares pending allotment.

### Debenture Information

The Bank has issued the following debt securities which are listed on the Colombo Stock Exchange (CSE):

| Unsecured, Subordinated, Redeemable Debentures<br>(Par value LKR 100) | Type | Interest Payable Frequency | Interest Rate (per annum)                      |
|-----------------------------------------------------------------------|------|----------------------------|------------------------------------------------|
| November 2012–2017 series                                             | A    | Annually                   | 16.00%                                         |
|                                                                       | B    | Semi-annually              | 6 months TB rate (gross) plus 125 basis points |
|                                                                       | C    | Semi-annually              | 15.30%                                         |
| October 2013–2023 series                                              | A    | Annually                   | 13.00%                                         |
|                                                                       | B    | Annually                   | 12.60%                                         |
|                                                                       | C    | Semi-annually              | 6 months TB rate (gross) plus 100 basis points |
|                                                                       | D    | Annually                   | 13.25%                                         |
|                                                                       | E    | Semi-annually              | 6 months TB rate (gross) plus 100 basis points |
|                                                                       | F    | Annually                   | 13.25%                                         |
|                                                                       | H    | Annually                   | 13.75%                                         |
| September 2014–2022 series                                            | A    | Annually                   | 8.00%                                          |
|                                                                       | B    | Quarterly                  | 7.75%                                          |
|                                                                       | C    | Semi-annually              | 6 months TB (gross) rate plus 50 basis points  |
|                                                                       | D    | Annually                   | 8.25%                                          |
|                                                                       | E    | Semi-annually              | 6 months TB (gross) rate plus 50 basis points  |
| October 2015–2023 series                                              | A    | Annually                   | 8.25%                                          |
|                                                                       | B    | Quarterly                  | 8.00%                                          |
|                                                                       | C    | Semi-annually              | 6 months TB (gross) rate plus 125 basis points |
|                                                                       | D    | Annually                   | 9.50%                                          |
|                                                                       | E    | Semi-annually              | 6 months TB (gross) rate plus 125 basis points |
| December 2016–2024 series                                             | A    | Annually                   | 13.25%                                         |
|                                                                       | B    | Quarterly                  | 6 months TB (gross) rate plus 125 basis points |
|                                                                       | C    | Semi-annually              | 12.75%                                         |
|                                                                       | D    | Annually                   | 6 months TB (gross) rate plus 125 basis points |

## **Trading Information on Listed Debentures**

The debentures that have been traded during the year ended 2016 and 2015 are as follows:

| <i>As at 31 December</i>                                                                                                                                    | 2016    |        |             |                 |                    | 2015    |        |             |                 |                    |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------|---------|--------|-------------|-----------------|--------------------|---------|--------|-------------|-----------------|--------------------|
|                                                                                                                                                             | Highest | Lowest | Last Traded | Interest Yield* | Yield to Maturity* | Highest | Lowest | Last Traded | Interest Yield* | Yield to Maturity* |
|                                                                                                                                                             | LKR     | LKR    | LKR         | %               | %                  | LKR     | LKR    | LKR         | %               | %                  |
| <b>BoC Debentures 2012–2017</b><br>Unsecured, subordinated, redeemable,<br>5 years, fixed rate (16.0%)                                                      | 102.65  | 102.65 | 102.65      | 13.94           | 15.59              | 100.00  | 100.00 | 100.00      | 15.87           | 16.00              |
| <b>BoC Debentures 2013–2023</b><br>Unsecured, subordinated, redeemable,<br>10 years, fixed rate (13.75%)                                                    | N/T     | N/T    | N/T         | N/T             | N/T                | 117.32  | 117.32 | 117.32      | 10.39           | 11.72              |
| <b>BoC Debentures 2014–2022</b><br>Unsecured, subordinated, redeemable,<br>5 years, fixed rate (8.0%)                                                       | 96.87   | 96.87  | 96.87       | 9.06            | 8.26               | 99.90   | 95.50  | 95.50       | 9.47            | 8.38               |
| <b>BoC Debentures 2015–2023</b><br>Unsecured, subordinated, redeemable,<br>5 years, floating rate<br>6 months TB rate (gross) rate plus 125<br>basis points | 95.00   | 95.00  | 95.00       | 13.39           | 12.29              | N/T     | N/T    | N/T         | N/T             | N/T                |

\*As at date of last trade done.  
N/T – Not Traded

## Ten Year Statistical Summary – Bank

LKR million

| For the year ended 31 December                     | 2007           | 2008           | 2009           | 2010           | 2011           | 2012             | 2013             | 2014             | 2015             | 2016             |
|----------------------------------------------------|----------------|----------------|----------------|----------------|----------------|------------------|------------------|------------------|------------------|------------------|
| <b>Operating Results</b>                           |                |                |                |                |                |                  |                  |                  |                  |                  |
| Income                                             | 50,159         | 60,182         | 63,461         | 63,363         | 70,457         | 110,138          | 127,464          | 126,546          | 131,502          | 154,121          |
| Interest income                                    | 42,286         | 49,684         | 53,077         | 50,843         | 61,222         | 95,022           | 114,863          | 107,395          | 112,745          | 134,685          |
| Interest expenses                                  | (29,453)       | (35,989)       | (38,267)       | (31,200)       | (36,216)       | (59,701)         | (77,720)         | (68,945)         | (66,419)         | (80,728)         |
| <b>Net interest income</b>                         | <b>12,833</b>  | <b>13,695</b>  | <b>14,810</b>  | <b>19,643</b>  | <b>25,006</b>  | <b>35,321</b>    | <b>37,143</b>    | <b>38,450</b>    | <b>46,326</b>    | <b>53,957</b>    |
| Other operating income                             | 7,873          | 10,498         | 10,385         | 12,515         | 9,235          | 15,116           | 12,601           | 19,151           | 18,756           | 19,437           |
| Other operating expenses                           | (14,315)       | (16,889)       | (17,992)       | (18,104)       | (15,241)       | (27,428)         | (31,324)         | (33,258)         | (34,987)         | (35,940)         |
| <b>Operating profit before VAT and NBT</b>         | <b>6,391</b>   | <b>7,304</b>   | <b>7,203</b>   | <b>14,054</b>  | <b>19,000</b>  | <b>23,009</b>    | <b>18,420</b>    | <b>24,343</b>    | <b>30,095</b>    | <b>37,454</b>    |
| VAT and NBT on financial services                  | (1,873)        | (2,073)        | (2,995)        | (4,001)        | (2,516)        | (3,214)          | (2,711)          | (4,052)          | (4,816)          | (6,265)          |
| <b>Profit before income tax</b>                    | <b>4,518</b>   | <b>5,231</b>   | <b>4,208</b>   | <b>10,053</b>  | <b>16,484</b>  | <b>19,795</b>    | <b>15,709</b>    | <b>20,291</b>    | <b>25,279</b>    | <b>31,189</b>    |
| Income tax expense                                 | (1,675)        | (1,670)        | (1,124)        | (3,688)        | (4,567)        | (5,378)          | (3,622)          | (6,717)          | (7,922)          | (6,398)          |
| <b>Profit for the year</b>                         | <b>2,843</b>   | <b>3,561</b>   | <b>3,084</b>   | <b>6,365</b>   | <b>11,917</b>  | <b>14,417</b>    | <b>12,087</b>    | <b>13,574</b>    | <b>17,357</b>    | <b>24,791</b>    |
| <b>As at 31 December</b>                           |                |                |                |                |                |                  |                  |                  |                  |                  |
| <b>Assets</b>                                      |                |                |                |                |                |                  |                  |                  |                  |                  |
| Cash and cash equivalents                          | 9,244          | 10,168         | 13,509         | 14,104         | 18,671         | 31,545           | 24,901           | 35,583           | 79,917           | 67,706           |
| Balances with Central Banks                        | 17,253         | 15,629         | 16,263         | 25,642         | 30,223         | 29,963           | 28,699           | 30,422           | 38,940           | 56,388           |
| Placements with banks                              | 19,722         | 16,403         | 45,867         | 42,709         | 14,581         | 19,394           | 19,315           | 13,349           | 27,976           | 11,675           |
| Loans and advances to customers                    | 284,496        | 271,105        | 265,065        | 368,302        | 543,149        | 691,899          | 725,332          | 741,348          | 826,790          | 1,000,082        |
| Other financial assets                             | 80,635         | 144,913        | 168,481        | 241,205        | 195,444        | 239,089          | 335,455          | 438,554          | 522,762          | 461,193          |
| Investments in subsidiaries and associates         | 3,650          | 3,603          | 4,037          | 6,124          | 7,084          | 7,636            | 7,672            | 7,056            | 7,056            | 6,306            |
| Investment properties                              | 559            | –              | –              | –              | –              | –                | –                | –                | –                | 3,000            |
| Property, Plant and Equipment                      | 4,982          | 5,018          | 5,724          | 5,621          | 10,595         | 11,516           | 12,089           | 16,296           | 16,431           | 15,584           |
| Intangible assets                                  | 399            | 233            | 111            | 164            | 343            | 376              | 501              | 385              | 373              | 563              |
| Other assets                                       | 16,961         | 17,304         | 19,184         | 16,377         | 18,183         | 16,803           | 39,617           | 46,027           | 48,044           | 46,794           |
| <b>Total assets</b>                                | <b>437,901</b> | <b>484,376</b> | <b>538,241</b> | <b>720,248</b> | <b>838,273</b> | <b>1,048,221</b> | <b>1,193,581</b> | <b>1,329,020</b> | <b>1,568,289</b> | <b>1,669,291</b> |
| <b>Liabilities</b>                                 |                |                |                |                |                |                  |                  |                  |                  |                  |
| Due to banks*                                      | –              | –              | –              | 2,215          | 6,508          | 10,128           | 1,166            | 890              | 2,630            | 2,042            |
| Due to customers                                   | 308,856        | 316,070        | 408,607        | 530,092        | 595,774        | 693,441          | 842,070          | 933,966          | 1,082,337        | 1,256,589        |
| Debt securities issued and subordinated term debts | 9,150          | 17,988         | 18,045         | 40,115         | 42,591         | 47,114           | 45,326           | 53,282           | 39,055           | 42,072           |
| Other borrowings                                   | 84,658         | 111,100        | 67,302         | 105,169        | 138,389        | 233,795          | 235,370          | 246,736          | 337,442          | 254,895          |
| Current tax liabilities                            | 885            | 1,079          | 190            | 2,200          | 1,139          | 2,208            | –                | –                | 2,081            | –                |
| Other liabilities                                  | 13,302         | 15,037         | 19,198         | 10,551         | 12,518         | 10,582           | 11,949           | 19,340           | 23,259           | 20,843           |
| <b>Total liabilities</b>                           | <b>416,851</b> | <b>461,274</b> | <b>513,342</b> | <b>690,342</b> | <b>796,919</b> | <b>997,268</b>   | <b>1,135,881</b> | <b>1,254,214</b> | <b>1,486,804</b> | <b>1,576,441</b> |
| <b>Equity</b>                                      |                |                |                |                |                |                  |                  |                  |                  |                  |
| Share capital                                      | 5,000          | 5,000          | 5,000          | 5,000          | 5,000          | 5,000            | 5,000            | 10,000           | 10,000           | 15,000           |
| Permanent reserve fund                             | 2,515          | 2,585          | 2,650          | 2,777          | 3,008          | 3,286            | 3,538            | 3,810            | 5,210            | 7,996            |
| Retained earnings                                  | 12,161         | 14,335         | 15,820         | 14,564         | 21,733         | 27,639           | 31,419           | 44,861           | 51,086           | 54,155           |
| Other reserves                                     | 1,374          | 1,182          | 1,429          | 7,565          | 11,613         | 15,028           | 17,743           | 16,135           | 15,189           | 15,699           |
| <b>Total equity</b>                                | <b>21,050</b>  | <b>23,102</b>  | <b>24,899</b>  | <b>29,906</b>  | <b>41,354</b>  | <b>50,953</b>    | <b>57,700</b>    | <b>74,806</b>    | <b>81,485</b>    | <b>92,850</b>    |
| <b>Total liabilities and equity</b>                | <b>437,901</b> | <b>484,376</b> | <b>538,241</b> | <b>720,248</b> | <b>838,273</b> | <b>1,048,221</b> | <b>1,193,581</b> | <b>1,329,020</b> | <b>1,568,289</b> | <b>1,669,291</b> |
| <b>Contingent liabilities and commitments</b>      | <b>134,713</b> | <b>164,813</b> | <b>246,245</b> | <b>313,040</b> | <b>409,747</b> | <b>455,181</b>   | <b>655,441</b>   | <b>721,763</b>   | <b>696,857</b>   | <b>547,399</b>   |

| As at 31 December                                                 | 2007     | 2008     | 2009     | 2010     | 2011     | 2012     | 2013     | 2014     | 2015      | 2016     |
|-------------------------------------------------------------------|----------|----------|----------|----------|----------|----------|----------|----------|-----------|----------|
| <b>Ratios</b>                                                     |          |          |          |          |          |          |          |          |           |          |
| Return on average assets (%)                                      | 1.1      | 1.1      | 0.8      | 1.6      | 2.1      | 2.1      | 1.4      | 1.6      | 1.7       | 1.9      |
| Return on average equity (%)                                      | 14.6     | 16.1     | 12.9     | 24.0     | 33.5     | 31.2     | 22.2     | 20.5     | 22.2      | 28.4     |
| Income growth (%)                                                 | 42.5     | 20.0     | 5.5      | (0.2)    | 11.2     | 56.3     | 15.7     | (0.7)    | 3.9       | 17.2     |
| Capital adequacy ratio (%)                                        |          |          |          |          |          |          |          |          |           |          |
| – Tier I                                                          | 11.4     | 11.3     | 11.2     | 10.3     | 7.8      | 8.3      | 8.4      | 9.5      | 9.1       | 8.7      |
| – Tier I + Tier II                                                | 11.4     | 15.9     | 14.2     | 13.7     | 10.9     | 11.5     | 12.1     | 13.6     | 13.1      | 12.3     |
| Capital funds to liabilities including contingent liabilities (%) | 3.8      | 3.7      | 3.3      | 3.1      | 3.4      | 3.5      | 3.2      | 3.8      | 3.7       | 4.4      |
| Liquidity ratio – domestic (%)                                    | 21.2     | 24.2     | 21.1     | 28.7     | 23.4     | 21.8     | 27.7     | 30.8     | 28.2      | 21.6     |
| Cost to income ratio (%)                                          | 67.5     | 64.2     | 68.3     | 53.7     | 51.1     | 42.7     | 49.1     | 44.0     | 44.7      | 43.0     |
| <b>Other Information</b>                                          |          |          |          |          |          |          |          |          |           |          |
| No. of employees                                                  | 8,253    | 7,912    | 7,538    | 8,204    | 8,115    | 7,790    | 8,883    | 8,577    | 7,980     | 7,569    |
| No. of branches                                                   | 307      | 309      | 310      | 309      | 318      | 324      | 567      | 573      | 578       | 580      |
| No. of ATMs                                                       | 203      | 251      | 329      | 352      | 404      | 451      | 523      | 540      | 549       | 678      |
| No. of advances ('000)                                            | 1,867    | 1,839    | 2,011    | 2,261    | 2,837    | 3,363    | 3,193    | 2,384    | 2,146     | 2,122    |
| No. of deposits ('000)                                            | 6,993    | 7,494    | 8,440    | 9,321    | 10,179   | 10,955   | 11,606   | 12,311   | 12,322    | 12,706   |
| Cashflows from operating activities                               | (13,713) | 30,262   | 100,115  | 10,271   | (42,348) | (19,271) | 47,051   | 72,987   | 127,503   | (21,346) |
| Cashflows from investing activities                               | 3,034    | (67,091) | (20,775) | (59,418) | 6,924    | (52,965) | (51,351) | (27,222) | (101,988) | 83,642   |
| Cashflows from financing activities                               | 8,120    | 34,433   | (45,144) | 46,554   | 12,476   | 89,640   | (4,377)  | (29,519) | 17,982    | (73,927) |
| Capital expenditure on purchase of Property, Plant and Equipment  | (544)    | (647)    | (1,446)  | (1,168)  | (1,905)  | (1,483)  | (1,682)  | (1,743)  | (1,332)   | (2,053)  |

\*From 2007 to 2009 Due to banks amount is included in Due to customers and Other borrowings

\*\*Highlighted information is based on LKASs/SLFRSs.

**Disclosure in terms of Section 7.6 (xvi) of the Listing Rules of the Colombo Stock Exchange on related party transactions exceeding 10% of the equity or 5% of the total assets of the Bank**

The Bank did not carry out any transactions exceeding 10% of the equity or 5% of the total assets of the Bank, whichever is lower, with the related parties given in Note No. 55 to the Financial Statements, except for the transactions engaged with the Government of Sri Lanka and Government-related entities.

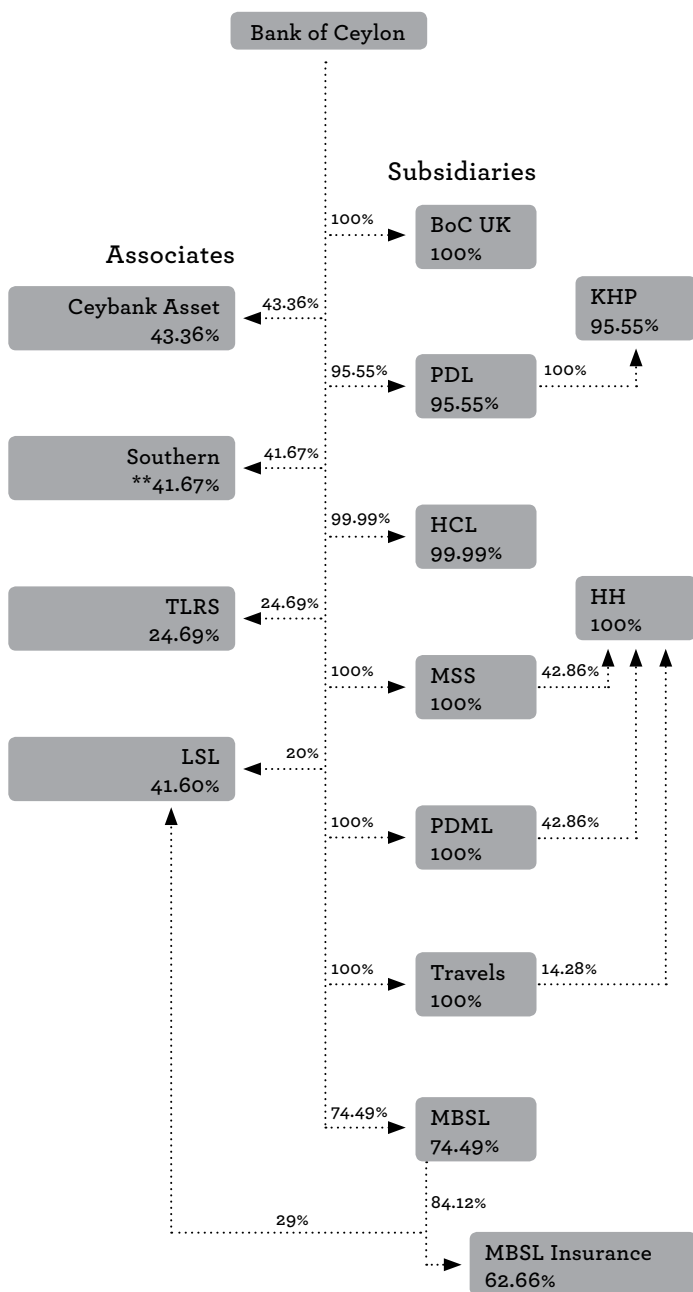
The Government of Sri Lanka, who holds 100% shareholding in the Bank of Ceylon and Government-related entities, carry out transactions with the Bank, in the ordinary course of business and the aggregate monetary value of these transactions exceeded the threshold given in Section

7.6 (xvi) of the Listing Rules of Colombo Stock Exchange. These transactions include:

1. Overdraft facility granted to the Deputy Secretary to the Treasury.
2. Foreign currency loans granted to the Government of Sri Lanka and State-Owned Enterprises.
3. Investment in Sri Lanka Development Bonds and Restructuring Bonds issued by the Government of Sri Lanka.
4. Extending of trade finance credit and other related services to facilitate import transactions of the Government of Sri Lanka and State-Owned Enterprises.
5. Deposits made by the Government and Government-related entities with the Bank.

Most of these transactions are considered as recurrent nature transactions and the outstanding balances as at Reporting date during the year 2016, are given in the Note 55.4 to the Financial Statements.

## Subsidiaries and Associates



### Subsidiaries

1. PDL – Property Development PLC
2. MBSL – Merchant Bank of Sri Lanka & Finance PLC
3. MSS – BOC Management & Support Services (Private) Limited
4. PDML – BOC Property Development & Management (Private) Limited
5. Travels – BOC Travels (Private) Limited
6. HCL – Hotels Colombo (1963) Limited
7. HH – Ceybank Holiday Homes (Private) Limited
8. MBSL Insurance – MBSL Insurance Company Limited
9. KHP – Koladeniya Hydropower (Private) Limited
10. BoC UK – Bank of Ceylon (UK) Limited

### Associates

11. Ceybank Asset – Ceybank Asset Management Limited
12. Southern – Southern Development Financial Company Limited
13. LSL – Lanka Securities (Private) Limited
14. TLRS – Transnational Lanka Records Solutions (Private) Limited

| Subsidiary Companies                                                                                                                                                                                                                                  | Directors*                                                                                                                                                                                                                                                                                               |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Property Development PLC</b><br>19th Floor,<br>BoC Head Office Building,<br>'BOC Square'<br>No. 01, Bank of Ceylon Mawatha,<br>Colombo 01<br><br>Tel : 011 2544328<br>Fax : 011 2544329<br>e-mail : pdlhrm@sltnet.lk                               | Mr K A K Jayathilake ( <i>Chairman</i> )<br>Mr W P Russel Fonseka<br>Mr K K U Wijeyesekara<br>Mr R P Halwala<br>Mr W I L Weeratne<br>Mr S M De Zoysa<br><br>Secretaries<br>M/s Corporate Services<br>(Private) Limited                                                                                   |
| <b>Merchant Bank of Sri Lanka &amp; Finance PLC</b><br>BOC Merchant Tower,<br>No. 28, St. Michael's Road,<br>Colombo 03<br><br>Tel : 011 4711711,<br>011 2565636<br>Fax : 011 2565666<br>e-mail : mbslbank@mbslbank.com<br>Website : www.mbslbank.com | Dr Sujeewa Lokuhewa ( <i>Chairman</i> )<br>Mr Charitha N Wijewardane<br>Mr D M Gunasekara<br>Mr Senarath Bandara<br>Mr W P Russel Fonseka<br>Mr N Perera<br>Mr S N Dayaratne<br>Mr S P Arsakularatne<br>Mr H J D Fonseka<br><br>Secretary<br>Ms Karnika Jayathilake                                      |
| <b>BOC Management &amp; Support Services (Private) Limited</b><br>25th Floor,<br>BoC Head Office Building,<br>'BOC Square'<br>No. 01, Bank of Ceylon Mawatha,<br>Colombo 01<br><br>Tel : 011 2432680                                                  | Mr D M Gunasekara ( <i>Chairman</i> )<br>Mr D P K Gunasekera<br>Mr W A C Tissera<br><br>Secretary<br>Ms Janaki Senanayake Siriwardane                                                                                                                                                                    |
| <b>BOC Property Development &amp; Management (Private) Limited</b><br>10th Floor,<br>BOC Merchant Tower,<br>No. 28, St. Michael's Road,<br>Colombo 03<br><br>Tel : 011 2301911<br>Fax : 011 2370606<br>e-mail : indika@bocpdml.lk                     | Mr M H M Faizer ( <i>Chairman</i> )<br>Mr H Ashraff<br>Mr D M Gunasekara<br>Ms S T K Hettigoda<br>Mr S M S C Jayasuriya<br>( <i>Alternate Director to Mr D M Gunasekara</i> )<br><br>Secretaries<br>M/s Corporate Services<br>(Private) Limited                                                          |
| <b>BOC Travels (Private) Limited</b><br>1st Floor,<br>BoC Super Grade Branch Building,<br>Baseline Road,<br>Colombo 08<br><br>Tel : 011 2688154-8<br>Fax : 011 2688175<br>e-mail : ceybank@eureka.lk<br>Website : www.boctravels.com                  | Mr M H K Paranavithana ( <i>Chairman</i> )<br>Mr P Dheerasinghe<br>Mr Charitha N Wijewardane<br>Mr D M Gunasekara<br>Mr F A R Aziz<br>Mr R Wijewardana<br>Mr C Amarasinghe<br>( <i>Alternate Director to Mr D M Gunasekara</i> )<br><br>Secretaries<br>M/s S S P Corporate Services<br>(Private) Limited |

\*as at 31 December 2016

\*\*not in operation

| Subsidiary Companies                                                                                                                                                                                                                                                                                  | Directors*                                                                                                                                                                                                                                                                                                                | Associate Companies                                                                                                                                                                                                                                           | Directors*                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Hotels Colombo (1963) Limited</b><br>No. 02,<br>York Street,<br>Colombo 01<br><br>Tel :011 2320320<br>Fax :011 2380433<br>e-mail :info@grandoriental.com<br>Website :www.grandoriental.com                                                                                                         | Mr Charitha N Wijewardane<br><i>(Chairman)</i><br>Mr D M Gunasekara<br>Mr J C Ratwatte<br>Mr Vipula Jayabahu<br><i>(Alternate Director to Mr D M Gunasekara)</i><br><br>Secretaries<br>M/s S S P Corporate Services<br>(Private) Limited                                                                                  | <b>Lanka Securities (Private) Limited</b><br>No. 228/1<br>Galle Road,<br>Colombo 04<br><br>Tel :011 4706757<br>Fax :011 4706767<br>e-mail :lankasec@slt.net.lk<br>Website :<br>www.lankasecurities.com                                                        | Ms Aamna Taseer <i>(Chairperson)</i><br>Mr M Eshan ul-Haq<br>Mr Farooq Bin Habib<br>Mr K U D Gamage<br>Mr H P Ajith Gunawardana<br>Mr W P Russel Fonseka<br>Mr S A Taseer<br><i>(Alternate to Mr M Eshan ul-Haq)</i><br>Mr S Taseer<br><i>(Alternate to Mr Farooq Bin Habib)</i><br>Mr I Hafeez<br><i>(Alternate to Ms Aamna Taseer)</i><br><br>Secretaries<br>M/s S S P Corporate Services<br>(Private) Limited                                                                             |
| <b>Ceybank Holiday Homes (Private) Limited</b><br>12th Floor,<br>BoC Head Office Building,<br>'BOC Square',<br>No. 01, Bank of Ceylon Mawatha,<br>Colombo 01<br><br>Tel :011 2447845,<br>011 2204103-4<br>Fax :011 2447845<br>e-mail :ceybankhh@gmail.com<br>Website :<br>www.ceybankholidayhomes.com | Mr D M Gunasekara <i>(Chairman)</i><br>Mr S Hewawitharana<br>Mr Y P Warnasekara<br>Ms D N Wickramasinghe<br>Mr Senarath Bandara<br><i>(Alternate Director to Mr D M Gunasekara)</i><br><br>Secretary<br>Ms Janaki Senanayake Siriwardane                                                                                  | <b>Transnational Lanka Records Solutions (Private) Limited</b><br>160/16, Kirimandala Mawatha,<br>Narahenpita<br>Colombo 05<br><br>Tel :011 7574574<br>Fax :011 4514588<br>e-mail :<br>suneth@transnational-grp.com<br>Website :<br>www.transnational-grp.com | Mr W P Russel Fonseka <i>(Chairman)</i><br>Mr S M S C Jayasuriya<br>Mr D K W Liew<br>Mr D M H Liew<br>Mr C R Norwood<br>Mr P C Dodanwela<br><br>Secretaries<br>M/s P W Corporate Secretarial<br>(Private) Limited                                                                                                                                                                                                                                                                            |
| <b>MBSL Insurance Company Limited</b><br>No. 122,<br>Kew Road,<br>Colombo 02<br><br>Tel :011 2304500<br>Fax :011 2300499<br>e-mail :info@mbslinsurance.lk<br>Website :www.mbslinsurance.lk                                                                                                            | Dr Sujeewa Lokuhewa <i>(Chairman)</i><br>Mr Charitha N Wijewardane<br>Mr H P Lokuyaddehige<br>Mr A S Ranganana<br>Mr D M Gunasekara<br>Mr N Perera<br>Mr S P Arsakularatne<br>Mr Senarath Bandara<br>Mr W P Russel Fonseka<br>Mr S N Dayaratne<br><br>Secretaries<br>M/s Waters Secretarial Services<br>(Private) Limited | <b>Ceybank Asset Management Limited</b><br>No. 54/C1, Ward Place<br>Colombo 07<br><br>Tel :011 7602000<br>Fax :011 2683095<br>e-mail :ceybank@slt.lk<br>Website :www.ceybank.com                                                                              | Mr P S C Pelpola <i>(Chairman)</i><br>Mr D M Gunasekara<br>Mr S M S C Jayasuriya<br>Mr M Selvanathan<br>Mr C Sathkumara<br>Mr M S P R Perera<br>Mr P A Liyanamana<br>Shri B Babu Rao<br>Mr G A Jayashantha<br><i>(Alternate Director to Mr D M Gunasekara)</i><br>Mr U D Liyanagamage<br><i>(Alternate Director to Mr P A Liyanamana)</i><br>Mr A P Weeratunge<br><i>(Alternate Director to Mr M Selvanathan)</i><br><br>Secretaries<br>M/s Carsons Management Services<br>(Private) Limited |
| <b>Koladeniya Hydropower (Private) Limited</b><br>19th Floor,<br>BoC Head Office Building,<br>'BOC Square',<br>No. 01, Bank of Ceylon Mawatha,<br>Colombo 01<br><br>Tel :011 2544328,<br>011 2541113<br>Fax :011 2544329<br>e-mail :pdfin@slt.net.lk                                                  | Mr K A K Jayatilake <i>(Chairman)</i><br>Mr Sanjaya Padmaperuma<br>Mr D M Gunasekara<br>Mr N M Musafar<br>Mr Senarath Bandara<br><i>(Alternate Director to Mr D M Gunasekara)</i><br><br>Secretaries<br>M/s Em En Es (Assignments)<br>(Private) Limited                                                                   |                                                                                                                                                                                                                                                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| <b>Bank of Ceylon (UK) Limited</b><br>No. 01, Devonshire Square,<br>London EC2M 4WD<br>United Kingdom<br><br>Tel :+44 207 3771 888<br>Fax :+44 207 3775 430<br>e-mail :info@bankofceylon.co.uk<br>Website :www.bankofceylon.co.uk                                                                     | Mr Ronald C Perera<br>Mr D M Gunasekara<br>Mr A R F John Pulle<br>Mr M P R Kumara<br>Mr W D R Swanney<br>Mr R England<br><br>Secretary<br>Mr Colin Finlayson                                                                                                                                                              |                                                                                                                                                                                                                                                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |

\*as at 31 December 2016

## Operational Footprint

| Name of Branch                        | Telephone   | Email Address | No. of ATMs | No. of CDMs | Postal Address                                        |
|---------------------------------------|-------------|---------------|-------------|-------------|-------------------------------------------------------|
| <b>Central Province</b>               |             |               |             |             |                                                       |
| Adikarigama                           | 081-3838538 | boc487@boc.lk |             |             | Raja Mawatha, Adikarigama                             |
| Agarapathana ■                        | 051-2230133 | boc488@boc.lk | 1           |             | No. 23, Main Street, Agarapathana                     |
| Akurana                               | 081-2301477 | boc489@boc.lk | 1           |             | No. 197, Kurunduahawela, Matale Road, Akurana         |
| Aladeniya                             | 081-2058358 | boc812@boc.lk | 1           |             | No. 447, Kurunegala Road, Aladeniya                   |
| Alawathugoda                          | 066-2242327 | boc768@boc.lk | 1           |             | No. 1496, Matale Road, Alawathugoda                   |
| Ankumbura                             | 066-2240399 | boc490@boc.lk |             |             | No. 38/3, Alawathugoda Road, Ankumbura                |
| Bogawanthalawa                        | 052-2267599 | boc491@boc.lk | 1           |             | No. 84, 86 Main Street, Bogawanthalawa                |
| BOI Pallekelle                        | 081-5672445 | boc464@boc.lk | 1           |             | Kandy Industrial Park, Balagolla, Kengalla            |
| Bokkawala                             | 081-2461056 | boc465@boc.lk |             |             | No. 135/1B, Bokkawala                                 |
| Dambulla ▲                            | 066-2285270 | boc576@boc.lk | 2           | 1           | No. 438/B, Kandy Road, Dambulla                       |
| Danture                               | 081-2575228 | boc466@boc.lk |             |             | No. 572, 572 A, Main Street, Danture                  |
| Daulagala                             | 081-2315171 | boc467@boc.lk |             |             | No. 01/1, Imbuldeniya Handessa, Daulagala             |
| Digana                                | 081-2376928 | boc273@boc.lk | 2           |             | No. 02, New Town, Digana, Rajawella.                  |
| Digana Village                        | 081-2375851 | boc469@boc.lk |             |             | Digana Village, Digana                                |
| Galagedara                            | 081-2461214 | boc615@boc.lk | 1           |             | No. 237, Rambukkana Road, Galagedara                  |
| Galaha                                | 081-2467213 | boc101@boc.lk | 1           |             | No. 59/37, Deltota Road, Galaha                       |
| Galewala                              | 066-2288258 | boc432@boc.lk | 2           |             | No. 168, Kurunegala – Dambulla Road, Galewala         |
| Gampola ▲                             | 081-2350108 | boc575@boc.lk | 2           | 1           | No. 44, Kadugannawa Road, Gampola                     |
| Gampola City                          | 081-2354214 | boc470@boc.lk | 1           |             | No. 23, Nawalapitya Road, Gampola                     |
| Geliyoa                               | 081-2314777 | boc524@boc.lk | 1           |             | 430, Karamada, Gampola Road, Geliyoa                  |
| Ginigathhena                          | 051-2242310 | boc471@boc.lk | 1           |             | No. 29/B, Colombo Road, Ginigathhena                  |
| Hatharaliyadda                        | 081-2464187 | boc472@boc.lk | 1           |             | Bank of Ceylon Building, Kandy Road, Hatharaliyadda   |
| Hatton                                | 051-2225015 | boc040@boc.lk | 2           | 1           | No. 46, Circular Road, Hatton                         |
| Kandapola                             | 052-2229636 | boc633@boc.lk | 1           |             | No. 31, 33, Main Street, Kandapola                    |
| Kandy ▲                               | 081-2223697 | boc002@boc.lk | 4           | 2           | No. 88, Ceybank House, Dalada Veediya, Kandy          |
| Kandy 2nd City                        | 081-2234292 | boc649@boc.lk | 2           | 1           | No. 22, Dalada Veediya, Kandy                         |
| Kandy City Centre ◊                   | 081-2205110 | boc473@boc.lk | 1           | 1           | Premises No. 19 Level 1, Dalada Veediya, Kandy        |
| Kandy Court Complex                   | 081-2387490 | boc474@boc.lk | 1           |             | Kandy Court Complex, William Gopallawa Mawatha, Kandy |
| Kandy Teaching Hospital               | 081-2233335 | boc454@boc.lk | 1           |             | Kandy Teaching Hospital, Kandy                        |
| Katugastota                           | 081-2498948 | boc666@boc.lk | 2           | 1           | No. 161/A, Madawala Road, Katugastota                 |
| Kotagala                              | 081-2244107 | boc455@boc.lk | 1           |             | No. 182, Main Street, Kotagala                        |
| Kurunduwatte                          | 081-2357115 | boc809@boc.lk |             |             | Ayurvedic Centre Building, Kurunduwatte Bazaar        |
| Madawala Bazaar                       | 081-2476214 | boc581@boc.lk | 1           |             | No. 35 A2, Wattegama Road, Madawala                   |
| Marassana                             | 081-2405105 | boc456@boc.lk | 1           |             | No. 29, Meeruppa, Marassana                           |
| Maskeliya                             | 052-2277280 | boc506@boc.lk | 1           |             | No. 66, Upcott Road, Maskeliya                        |
| Matale ▲                              | 066-2222262 | boc068@boc.lk | 2           | 1           | No. 5/2, Trincomalee Street, Matale                   |
| Medawala H.P.                         | 081-2490574 | boc797@boc.lk |             |             | No. 13, Doranegama Road, Medawala, Harispattuwa       |
| Meepilimana                           | 052-2237410 | boc458@boc.lk |             |             | No. 67/68 A, Meepilimana, Nuwara Eliya                |
| Menikhinna                            | 081-2376911 | boc459@boc.lk | 1           |             | No. 31, Kandy Road, Menikhinna                        |
| Naula                                 | 066-2246280 | boc092@boc.lk | 1           |             | No. 85, Matale Road, Naula                            |
| Nawalapitiya                          | 054-2222233 | boc598@boc.lk | 2           | 1           | No. 6, Gampola Road, Nawalapitiya                     |
| Nuwara Eliya                          | 052-2224047 | boc029@boc.lk | 2           | 1           | No. 43, Lawson Street, Nuwara Eliya                   |
| Padiyapalella                         | 052-2287035 | boc492@boc.lk | 1           |             | No. 267/2, 267/3, Ragala Road, Padiyapalella          |
| Palapathwela                          | 066-2225505 | boc461@boc.lk |             |             | No. 409, Dambulla Road, Palapathwela                  |
| Pallepola                             | 066-2247272 | boc640@boc.lk | 1           |             | No. 19, 19/1, Akuramboda Road, Pallepola              |
| Peradeniya                            | 081-4945343 | boc588@boc.lk | 2           | 1           | No. 115/7, Sirimavo Bandaranaike Mawatha, Peradeniya  |
| Peradeniya Botanical Garden           | 081-2386463 | boc462@boc.lk | 1           |             | Peradeniya Botanical Garden, Peradeniya               |
| Peradeniya University                 | 081-2392422 | boc445@boc.lk | 1           |             | University of Peradeniya, Peradeniya                  |
| Pilimatalawa                          | 081-3753517 | boc587@boc.lk | 2           | 1           | No. 246/2, Colombo Road, Pilimatalawa                 |
| Provincial Council Complex Pallekelle | 081-2424545 | boc802@boc.lk | 1           |             | Provincial Council Complex, Pallekelle                |
| Pujapitiya                            | 081-2301718 | boc441@boc.lk | 1           |             | No. 72 B, Bokkawala Road, Pujapitiya                  |
| Pundaluoya                            | 051-2233205 | boc425@boc.lk | 1           |             | Ihala Veediya, Pundaluoya                             |
| Pussellawa                            | 081-2478642 | boc337@boc.lk | 1           |             | No. 437/439, Nuwara Eliya Road, Pussellawa            |





| Name of Branch                           | Telephone   | Email Address   | No. of ATMs | No. of CDMs | Postal Address                                          |
|------------------------------------------|-------------|-----------------|-------------|-------------|---------------------------------------------------------|
| Ragala                                   | 052-2265660 | boc442@boc.lk   | 1           |             | No. 1/19, Ragala, Halgranoya, Ragala                    |
| Rattota                                  | 066-2255280 | boc639@boc.lk   | 1           |             | Matale Road, Rattota                                    |
| Rikillagaskada                           | 081-2365314 | boc167@boc.lk   | 2           |             | No. 03, Dimbulkumbura Road, Rikillagaskada              |
| Sigiriya                                 | 066-2286270 | boc443@boc.lk   | 1           |             | No. 01, Airport Road, Kimbissa, Sigiriya                |
| Talatuoya                                | 081-2404334 | boc650@boc.lk   | 1           |             | No. 02, Kandy Road, Talatuoya                           |
| Talawakelle                              | 052-2258280 | boc531@boc.lk   | 2           |             | No. 23, 25, 29, Hatton Road, Talawekelle                |
| Teldeniya                                | 081-2376820 | boc781@boc.lk   | 1           |             | No. 17/2, Wilamuna Building, Circular Road, Karalliyada |
| Ududumbara                               | 081-2402317 | boc606@boc.lk   | 1           |             | No. 44, 46, Mahiyangana Road, Ududumbara                |
| Ukuwela                                  | 066-2244676 | boc444@boc.lk   | 1           |             | No. 154/3/1, Matale Road, Ukuwela.                      |
| Upcott                                   | 051-2235095 | boc446@boc.lk   |             |             | No. 77, Main Street, Upcott                             |
| Walapane                                 | 052-2279180 | boc743@boc.lk   | 1           |             | Ratnayake Building, Walapane                            |
| Wattegama                                | 081-2475838 | boc340@boc.lk   | 1           |             | No. 110, Kandy Road, Wattegama                          |
| Wilgamuwa                                | 066-2250002 | boc447@boc.lk   | 1           |             | No. 80/2/1, Hettipola New Town, Wilgamuwa               |
| Yatawatta                                | 066-2221084 | boc144@boc.lk   | 1           |             | Yelakkare Junction, Yatawatta                           |
| <b>Other Service Points</b>              |             |                 |             |             |                                                         |
| Dedicated Economic Centre Dambulla ☺     | 066-2285217 | boc576e1@boc.lk | 1           |             | Dedicated Economic Centre, Dambulla                     |
| Kandy District Secretariat Branch        | 081-2224214 | boc002e1@boc.lk |             |             | Kandy District Secretariat Building, Kandy              |
| Matale District Secretariat Branch       | 066-2222024 | boc068e1@boc.lk | 1           |             | Kachcheri Building, Matale                              |
| Nuwara Eliya District Secretariat Branch | 052-2222770 | boc029e1@boc.lk | 1           |             | Kachcheri Building, Nuwara Eliya                        |
| <b>Offsite ATMs</b>                      |             |                 |             |             |                                                         |
| Trendy Wear Adikarigama                  |             |                 | 1           |             |                                                         |
| Sigiriya Rock                            |             |                 | 1           |             |                                                         |
| Nuwara Eliya Hospital                    |             |                 | 1           |             |                                                         |
| <b>Eastern Province</b>                  |             |                 |             |             |                                                         |
| Addalaichenai                            | 067-2279303 | boc448@boc.lk   | 1           |             | No. 1 A, Main Street, Addalaichenai-11                  |
| Akkaraipattu                             | 067-2279242 | boc590@boc.lk   | 1           |             | No. 288, Main Street, Akkaraipattu                      |
| Alankerny                                | 026-2236500 | boc449@boc.lk   |             |             | Ward No. 01, Alankerny, Kinniya                         |
| Ampara                                   | 063-2222981 | boc021@boc.lk   | 2           | 1           | No. 115A, D. S. Senanayake Street, Ampara               |
| Arayampathy                              | 065-2247939 | boc451@boc.lk   |             |             | Co-Operative Building, Kalmunai Road, Arayampathy       |
| Batticaloa City Branch                   | 065-2227032 | boc452@boc.lk   | 1           |             | No. 09, Arunagiri Road, Batticaloa                      |
| Batticaloa Super Grade                   | 065-2227410 | boc012@boc.lk   | 1           | 1           | Covington Road, Batticaloa                              |
| Central Camp                             | 063-2051851 | boc811@boc.lk   |             |             | CC/37, Main Street, Central Camp, Ampara                |
| Chenkaladi                               | 065-2240492 | boc630@boc.lk   | 1           |             | No. 6, Trincomalee Road, Chenkaladi                     |
| China Bay                                | 026-2242327 | boc436@boc.lk   |             |             | No. 61, Kinniya Road, Fourth Milepost, China Bay        |
| Eastern University                       | 065-2241528 | boc437@boc.lk   | 1           |             | Vantharumoolai, Chenkaladi, Batticaloa                  |
| Eravur                                   | 065-2241012 | boc790@boc.lk   | 1           |             | MPCS Building, Punnakudah Road, Eravur                  |
| Gonagolla                                | 063-2050044 | boc438@boc.lk   |             |             | Kandy Road, Gonagolla                                   |
| Hingurana                                | 063-2240037 | boc509@boc.lk   | 1           |             | Jeyalanka Building, Hingurana Junction, Hingurana       |
| Irakkamam                                | 063-2050155 | boc439@boc.lk   |             |             | No. 150, Ampara Road, Irakkamam, Ampara                 |
| Kallady                                  | 065-2227972 | boc426@boc.lk   | 1           |             | No. 180A, New Kalmunai Road, Kallady                    |
| Kallar                                   | 067-2225421 | boc427@boc.lk   |             |             | Main Street, Periyakallar-01                            |
| Kalmunai                                 | 067-2229340 | boc510@boc.lk   | 1           | 1           | No. 78, Kitddanki Road, Kalmunai                        |
| Kaluwanchikudy                           | 065-2250012 | boc611@boc.lk   | 1           |             | Main Street, Kaluwanchikudy                             |
| Kantale                                  | 026-2234230 | boc623@boc.lk   | 1           | 1           | No. 91, Agrabodhi Mawatha, Kantale                      |
| Karadiyanaru                             | 065-2241330 | boc428@boc.lk   |             |             | No. 01, Badulla Road, Karadiyanaru                      |
| Karaitivu                                | 067-2225484 | boc429@boc.lk   | 1           |             | No. 20, Main Street, Karaitivu                          |
| Kattankudy                               | 065-2248463 | boc648@boc.lk   | 1           |             | No. 40, 40B, 40C, Fauzi Mawatha, Kattankudy 02          |
| Kinniya                                  | 026-2236270 | boc735@boc.lk   | 1           |             | No. 27, 27/1, 27/2, 29, Lathef Vidhan Road, Kinniya-05  |
| Kiran                                    | 065-3651142 | boc430@boc.lk   |             |             | Trincomalee Road, Kiran, Batticaloa                     |
| Kokkadacholai                            | 065-2227916 | boc431@boc.lk   |             |             | Main Street, Kokkadacholai South, Kokkadacholai         |

| Name of Branch                    | Telephone   | Email Address   | No. of ATMs | No. of CDMs | Postal Address                                                |
|-----------------------------------|-------------|-----------------|-------------|-------------|---------------------------------------------------------------|
| Malwatte                          | 063-2051515 | boc422@boc.lk   |             |             | Main Street, Malwatte                                         |
| Mamanagam                         | 065-2227973 | boc423@boc.lk   |             |             | No. 450 A, Bar Road, Batticaloa                               |
| Maruthamunai                      | 067-2220503 | boc424@boc.lk   |             |             | No. 1,024, Batticaloa Road, Maruthamunai                      |
| Mollipothana                      | 026-2246220 | boc417@boc.lk   |             |             | 96th Junction, Mollipothana                                   |
| Morawewa                          | 026-2225825 | boc418@boc.lk   | 1           |             | Pradesiya Sabha Market Complex, Morawewa                      |
| Muttur                            | 026-2238327 | boc118@boc.lk   | 1           |             | No. 36/1 Trincomalee Road, Ward No. 07, Muttur                |
| Navithanvely                      | 067-2226140 | boc419@boc.lk   |             |             | Manikka Pillyar Kovil Road, Navithanveli-01, Kalmunai         |
| Nilaveli                          | 026-2232290 | boc420@boc.lk   |             |             | Ward No. 02, Main Street, Nilaveli                            |
| Nintavur                          | 067-2250039 | boc591@boc.lk   | 1           |             | No. 75, Main Street, Nintavur                                 |
| Oddamavady                        | 065-2258111 | boc402@boc.lk   |             |             | Main Street, Mawadichchenai, Oddamavady                       |
| Oluvil                            | 067-2255397 | boc403@boc.lk   |             |             | Grand Mosque Road, Oluvil-03                                  |
| Palugamam                         | 065-2251622 | boc404@boc.lk   |             |             | Main Sreet, Veeranchenai, Palugamam                           |
| Polwatta                          | 063-2242128 | boc405@boc.lk   | 1           |             | No. 12, Temple Junction, Polwaga Janapadaya, Polwatta, Ampara |
| Pottuvil                          | 063-2248021 | boc318@boc.lk   | 1           |             | Main Street, Pottuvil                                         |
| Pulmuddai                         | 026-2256200 | boc406@boc.lk   | 1           |             | Main Road, Ward No. 03, Pulmuddai                             |
| Sainthamarathu                    | 067-2220478 | boc407@boc.lk   | 1           |             | No. 1,115, Akkaraipattu Road, Sainthamarathu 09               |
| Sammanthurai                      | 067-2260054 | boc440@boc.lk   | 1           |             | No. 49/1 C, Ampara Road, Sammanthurai                         |
| Serunuwara                        | 026-2251010 | boc408@boc.lk   | 1           |             | MPCS Building, Batticaloa Road, Serunuwara                    |
| Thambiluvil                       | 067-2265309 | boc409@boc.lk   |             |             | Main Street, Thambiluvil 02                                   |
| Thampalakamam                     | 026-2248043 | boc410@boc.lk   | 1           |             | MPCS building, Kandy Road, Puthukudiyiruppu                   |
| Thoppur                           | 026-2240989 | boc411@boc.lk   |             |             | MDN Bawa Building, Main Street, Thoppur-04                    |
| Trincomalee Super Grade           | 026-2223084 | boc006@boc.lk   | 2           | 1           | No. 24, Inner Harbour Road, Trincomalee                       |
| Trincomalee City ▲                | 026-2223880 | boc624@boc.lk   | 1           |             | No. 167, 167 1/1, 167 2/1, Main Street, Trincomalee           |
| Uhana                             | 063-2250001 | boc413@boc.lk   |             |             | Jayanthi Building, Kandy Road, Uhana                          |
| Uppuveli                          | 026-2226227 | boc414@boc.lk   |             |             | No. 820A, Ehambaram Road, Uppuveli                            |
| Vakarai                           | 065-2258181 | boc415@boc.lk   |             |             | Trincomalee Road, Kandalady, Vakarai                          |
| Valachchenai                      | 065-2257708 | boc626@boc.lk   | 1           |             | Main Street, Valachchenai                                     |
| Vavunathivu                       | 065-3063522 | boc385@boc.lk   |             |             | Market Complex, Vavunathivu                                   |
| Vellaveli                         | 065-2251113 | boc386@boc.lk   |             |             | No. 100B, Main Street, Vellaveli                              |
| <b>Other Service Points</b>       |             |                 |             |             |                                                               |
| <b>Ampara District</b>            |             |                 |             |             |                                                               |
| Secretariat Branch                | 063-2224150 | boc021@boc.lk   |             |             | Ampara District Secretariat Building, Ampara                  |
| <b>Batticaloa District</b>        |             |                 |             |             |                                                               |
| Secretariat Branch                | 065-2228688 | boc012@boc.lk   |             |             | Batticaloa District Secretariat Building, Batticaloa          |
| <b>Trincomalee District</b>       |             |                 |             |             |                                                               |
| Secretariat Branch                | 026-2242999 | boc006e1@boc.lk | 1           |             | Trincomalee District Secretariat Building, Trincomalee        |
| <b>Offsite ATMs</b>               |             |                 |             |             |                                                               |
| Air Force Base Uhana Ampara       |             |                 | 1           |             |                                                               |
| Naval Base Trincomalee            |             |                 | 1           |             |                                                               |
| Trincomalee – Air Force China Bay |             |                 | 1           |             |                                                               |
| Batticaloa Air Force Base         |             |                 | 1           |             |                                                               |
| <b>North Central Province</b>     |             |                 |             |             |                                                               |
| Anuradhapura ▲                    | 025-2222393 | boc022@boc.lk   | 3           | 2           | Maithripala Senanayake Mawatha, Anuradhapura                  |
| Anuradhapura City                 | 025-2222160 | boc551@boc.lk   | 1           |             | No. 250, Main Street, Anuradhapura                            |
| Anuradhapura N'Town ■             | 025-2223685 | boc098@boc.lk   | 2           |             | New Town, Anuradhapura                                        |
| Aralaganwila ▲                    | 027-2257135 | boc599@boc.lk   | 1           |             | No. 2/119, Main Street, Aralaganwila                          |
| Bakamoona                         | 066-2256680 | boc652@boc.lk   | 1           |             | Lanka Banku Mawatha, Bakamoona                                |
| Bogaswewa                         | 025-3244951 | boc808@boc.lk   | 1           |             | Bogaswewa, Vavuniya                                           |
| Dehiattakandiya ▲                 | 027-2250287 | boc686@boc.lk   | 2           | 1           | New Town, Dehiattakandiya                                     |
| Diyabeduma                        | 027-2050016 | boc388@boc.lk   | 1           |             | Gamage Building, Katukeliyawa Road, Diyabeduma                |
| Diyasenpura                       | 027-2248061 | boc389@boc.lk   |             |             | Lakshan Tex, Ground Floor, Main Street, Diyasenpura           |
| Doramadalawa                      | 025-7200895 | boc390@boc.lk   | 1           |             | Rajamaha Viharaya, Doramadalawa, Mihintale                    |
| Eppawala                          | 025-2249180 | boc692@boc.lk   | 1           |             | No. 68/5, Kanthi City Building, Thalawa Road, Eppawala        |



| Name of Branch                          | Telephone   | Email Address | No. of ATMs | No. of CDMs | Postal Address                                   |
|-----------------------------------------|-------------|---------------|-------------|-------------|--------------------------------------------------|
| Galamuna                                | 027-2245990 | boc391@boc.lk |             |             | No. 145, Pansalgodella, Galamuna                 |
| Galenbindunuwewa                        | 025-2258280 | boc122@boc.lk | 1           |             | Denzil Kobbekaduwa Mawatha, Galenbindunuwewa     |
| Galkiriyagama                           | 025-2265299 | boc653@boc.lk | 1           |             | New Town, Galkiriyagama                          |
| Galnewa                                 | 025-2269580 | boc514@boc.lk | 1           |             | Thambuttegama Road, Galnewa                      |
| General Hospital Anuradhapura           | 025-3778400 | boc392@boc.lk | 1           |             | General Hospital, Anuradhapura                   |
| Habarana                                | 066-2270048 | boc393@boc.lk | 1           |             | Trincomalee Road, Habarana                       |
| Hingurakgoda ■                          | 027-2247642 | boc601@boc.lk | 1           |             | Saint Michel Building, Main Street, Hingurakgoda |
| Horawpothana                            | 025-2278416 | boc217@boc.lk | 1           |             | Anuradhapura Road, Horawpothana                  |
| Ipalogama                               | 025-2264279 | boc236@boc.lk |             |             | Kekirawa Road, Ipalogama                         |
| Jayanthipura                            | 027-2222266 | boc600@boc.lk | 1           |             | 22 Mile Post, Jayanthipura                       |
| Kaduruwela ▲                            | 027-2225025 | boc502@boc.lk | 2           | 1           | No. 812/614, Batticaloa Road, Kaduruwela         |
| Kahatagasdigiliya                       | 025-2247480 | boc622@boc.lk | 1           |             | Trincomalee Road, Kahatagasdigiliya              |
| Kebithigollawa ■                        | 025-2298680 | boc621@boc.lk | 1           |             | Padaviya Road, Kebithigollawa                    |
| Kekirawa ▲                              | 025-2264280 | boc676@boc.lk | 3           | 1           | Kekirawa                                         |
| Madatugama                              | 025-2264283 | boc654@boc.lk | 1           |             | Kekirawa/Dambulla Road, Madatugama               |
| Medawachchiya                           | 025-2245683 | boc162@boc.lk | 3           | 1           | No. 36, Jaffna Road, Medawachchiya               |
| Medirigiriya                            | 027-2248337 | boc641@boc.lk | 2           |             | School Junction, Medirigiriya                    |
| Meegalewa                               | 025-2281102 | boc728@boc.lk | 1           |             | Meegallewa                                       |
| Mihintale                               | 025-2266503 | boc335@boc.lk | 1           |             | Trincomalee Road, Mihintale                      |
| Minneriya                               | 027-2245333 | boc394@boc.lk | 1           |             | Habarana Road, Minneriya                         |
| Nochchiyagama                           | 025-2257880 | boc656@boc.lk | 1           |             | Main Street, Nochchiyagama                       |
| Padavi Parakramapura                    | 025-2254018 | boc127@boc.lk | 1           |             | Padavi Parakramapura                             |
| Padaviya                                | 025-2253011 | boc395@boc.lk | 1           |             | Bandaranayake Mawatha, Padaviya                  |
| Pemaduwa                                | 025-2223307 | boc152@boc.lk | 1           |             | Mannar Road, Pemaduwa                            |
| Polonnaruwa New Town                    | 027-2223010 | boc083@boc.lk | 1           | 1           | No. 286, New Town, Polonnaruwa                   |
| Rajanganaya                             | 025-2276558 | boc396@boc.lk | 1           |             | 5 Mile Post, Rajanganaya                         |
| Rajina Junction                         | 025-2275057 | boc397@boc.lk | 1           |             | No. 157, Rajina Junction, Thambuttegama          |
| Rambewa                                 | 025-2266555 | boc782@boc.lk | 1           |             | Kadaveediya, Rambewa                             |
| Ranajayapura                            | 025-2262003 | boc398@boc.lk | 1           |             | Ranajayapura, Ipalogama                          |
| Sevanapitiya                            | 027-2050280 | boc399@boc.lk | 1           |             | No. 63, Batticaloa Rd, Sevanapitiya              |
| Sewagama                                | 027-2222585 | boc183@boc.lk |             |             | No. 338, Walekade Junction, Sewagama             |
| Thalawa                                 | 025-2275090 | boc400@boc.lk | 1           |             | Anuradhapura Road, Thalawa                       |
| Thambuttegama                           | 025-2276280 | boc655@boc.lk | 1           |             | Rajanganaya Road, Thambuttegama                  |
| Thanthirimale                           | 025-2245725 | boc256@boc.lk | 1           |             | Opposite Raja Maha Viharaya, Thanthirimale       |
| Tirappana                               | 025-2050115 | boc157@boc.lk | 1           |             | Colombo/Anuradhapura Road, Tirappana             |
| Wahalkada                               | 025-2253225 | boc815@boc.lk |             |             | D4, Wahalkada, Kebithigollewa                    |
| Welikanda                               | 027-2259060 | boc817@boc.lk | 1           |             | Bank of Ceylon, Welikanda                        |
| Weli Oya – Sampathnuwara                | 025-3244950 | boc803@boc.lk | 1           |             | No. 41, Weli Oya – Sampathnuwara                 |
| <b>Other Service Points</b>             |             |               |             |             |                                                  |
| Anuradhapura District Secretariat       | 025-2222142 | boc022@boc.lk |             |             | Kachcheri Building, Anuradhapura                 |
| Provincial Council Complex Anuradhapura | 025-2235687 | boc022@boc.lk | 1           |             | Provincial Council Complex, Anuradhapura         |
| <b>Offsite ATMs</b>                     |             |               |             |             |                                                  |
| Air Force Hingurakgoda                  |             |               | 1           |             |                                                  |
| Air Force Anuradhapura                  |             |               | 1           |             |                                                  |
| Maliban Textiles (Private) Limited      |             |               | 1           |             |                                                  |
| Polonnaruwa Hospital                    |             |               | 1           |             |                                                  |
| Rajarata University Mihintale           |             |               | 1           |             |                                                  |
| Rajarata University – Medical Faculty   |             |               | 1           |             |                                                  |
| Anuradhapura Market Site                |             |               | 1           |             |                                                  |

| Name of Branch                | Telephone    | Email Address | No. of ATMs | No. of CDMs | Postal Address                                                             |
|-------------------------------|--------------|---------------|-------------|-------------|----------------------------------------------------------------------------|
| <b>Northern Province</b>      |              |               |             |             |                                                                            |
| Alaveddy                      | 021-2059656  | boc380@boc.lk |             |             | Alaveddy Centre, Alaveddy                                                  |
| Andankulam                    | 023-3233751  | boc381@boc.lk |             |             | Agrarian Service Centre Building, Andankulam                               |
| Atchuvely ▲                   | 021-2058011  | boc778@boc.lk | 1           |             | Central College View, Rosa Veethy, Atchuvely                               |
| Chankanai ▲                   | 021-2250015  | boc792@boc.lk | 1           |             | Main Street, Chankanai.                                                    |
| Chavakachcheri ▲              | 021-2270060  | boc501@boc.lk | 1           |             | No. 4, Kandy Road, Chavakachcheri                                          |
| Cheddikulam                   | 024- 2260017 | boc382@boc.lk | 1           |             | Mannar Road, Cheddikulam                                                   |
| Chunnamak ▲                   | 021-2242495  | boc053@boc.lk | 1           | 1           | No. 146, KKS Road, Chunnamak                                               |
| Delft                         | 021-2215213  | boc383@boc.lk |             |             | Main Street, Ward No. 12, Delft                                            |
| Ilavalai                      | 021-2211979  | boc377@boc.lk |             |             | Main Street, Ilavalai                                                      |
| Jaffna ▲                      | 021-2224018  | boc005@boc.lk | 2           | 1           | No. 476, 476A, Hospital Road, Jaffna                                       |
| Jaffna 2nd ▲                  | 021-222 2598 | boc500@boc.lk | 2           | 1           | No. 56, Stanley Road, Jaffna                                               |
| Jaffna Bus Stand              | 021-222 1010 | boc366@boc.lk |             |             | No. 400, Hospital Road, Jaffna                                             |
| Jaffna Main Street            | 021-2224564  | boc368@boc.lk | 1           |             | No. 320, Main Street, Jaffna                                               |
| Jaffna University             | 021-2219570  | boc369@boc.lk |             |             | Students Complex, University of Jaffna, Thirunavelly                       |
| Kaithady                      | 021-2057121  | boc370@boc.lk | 1           |             | A9 Road, Kaithady Junction, Kaithady                                       |
| Kalviyankadu                  | 021-2219571  | boc371@boc.lk |             |             | Point Pedro Road, Kalviyankadu Junction, Kalviyankadu                      |
| Kankesanthurai                | 021-2241024  | boc605@boc.lk | 1           |             | No. 51, K. K. S Road, Mallakam                                             |
| Karainagar                    | 021-2211707  | boc749@boc.lk | 1           |             | Post Office View, Karainagar                                               |
| Karanavai                     | 021-2262597  | boc372@boc.lk |             |             | Kunchar Kadai Junction, Karavanai Centre, Karavanai                        |
| Kayts                         | 021-2211664  | boc373@boc.lk | 1           |             | Bank of Ceylon Building, Main Street, Kayts                                |
| Kilinochchi ▲                 | 021-2280002  | boc093@boc.lk | 2           | 1           | Kilinar A9 Road, Kilinochchi                                               |
| Kodikamam                     | 021-2050315  | boc375@boc.lk | 1           |             | Piont Pedro Road, Kodikamam                                                |
| Kokuvil                       | 021-2052694  | boc376@boc.lk | 1           |             | No. 108, KKS Road, Kokuvil                                                 |
| Kopay                         | 021-223 0084 | boc787@boc.lk | 1           |             | No. 57, Point Pedro Road, Kopay North, Kopay                               |
| Madhu                         | 023-2280079  | boc378@boc.lk |             |             | Periyapandivirichchan, Madhu                                               |
| Mallavi                       | 021-2060747  | boc349@boc.lk | 1           |             | Thunukkai Road, Mallavi                                                    |
| Manipay ▲                     | 021-2255177  | boc281@boc.lk | 1           |             | No. 174, Jaffna Road, Manipay                                              |
| Mankulam                      | 021 2060009  | boc574@boc.lk | 1           |             | A9 Road, Mankulam Junction, Mankulam                                       |
| Mannar ▲                      | 023-2222337  | boc046@boc.lk | 2           | 1           | No. 52, Pallimunai Road, Grand Bazaar, Mannar                              |
| Manthikai                     | 021-226 3354 | boc351@boc.lk |             |             | Maruthankerny Road, Manthikai Junction, Manthikai                          |
| Maruthankerny                 | 021-226 0525 | boc352@boc.lk |             |             | Thalaiyady, Maruthankerny                                                  |
| Mulankavil                    | 021-2283131  | boc353@boc.lk | 1           |             | No. 09, Nachchikuda Junction, Mulankavil                                   |
| Mullaitivu                    | 021-2290002  | boc355@boc.lk |             |             | Post Office Road, Mullaitivu                                               |
| Mulliyawalai ▲                | 021-2061020  | boc511@boc.lk | 1           |             | Ward No. 03, Mankulam Road, Thaneerutu Junction, Mulliyawalai              |
| Murungan                      | 023-205 0364 | boc356@boc.lk | 1           |             | No. 28, Madawachchiya Road, Murungan                                       |
| Nainativu                     | 021-320 2107 | boc357@boc.lk |             |             | Ward No. 02, Nainativu                                                     |
| Nallur                        | 021-2219966  | boc358@boc.lk | 1           |             | No. 590, Point Pedro Road, Nallur                                          |
| Nanatan                       | 023-2050696  | boc359@boc.lk |             |             | Uyilankulam Road, Moddakkadai, Nanatan                                     |
| Nedunkerny                    | 024-2053024  | boc360@boc.lk | 1           |             | Mullaitivu Road, Nedunkerny                                                |
| Nelliady ▲                    | 021-2264815  | boc638@boc.lk | 1           | 1           | No. 23, Kodikamam Road, Nelliady                                           |
| Oddusudan                     | 021-206 1720 | boc361@boc.lk |             |             | Mankulam Road, Oddusudan                                                   |
| Omanthai                      | 024-2052740  | boc362@boc.lk |             |             | A9 Road, Omanthai                                                          |
| Pallai                        | 021-2050020  | boc363@boc.lk | 1           |             | Kandy Road (A9), Pallai                                                    |
| Paranthan                     | 021-2280177  | boc364@boc.lk |             |             | A9 Road, Paranthan Junction, Paranthan                                     |
| Pesalai                       | 023-2050010  | boc344@boc.lk | 1           |             | Church Road, Ward No. 07, Pesalai                                          |
| Point Pedro ▲                 | 021-2263570  | boc028@boc.lk | 1           | 1           | No. 165/10, Main Street, Point Pedro                                       |
| Poonagary                     | 021-2060820  | boc345@boc.lk |             |             | Vadiyady Junction, Poonagary                                               |
| Poovarasankulam (Thalikkulam) | 024-3248002  | boc346@boc.lk | 1           |             | Mannar Road, Poovarasankulam, Vavuniya                                     |
| Punnalaikadduwan              | 021-2059390  | boc347@boc.lk |             |             | Palay Road, Punnalaikadduwan                                               |
| Puthukkudiyiruppu             | 021-2061601  | boc341@boc.lk | 1           |             | Ward No. 07, Paranthan Road, Puthukkudiyiruppu Junction, Puthukkudiyiruppu |
| Puthukulam                    | 024-2053499  | boc342@boc.lk |             |             | Kalmadhu Road, Puthukulam, Vavuniya                                        |
| Savalkaddu                    | 021-2255992  | boc338@boc.lk |             |             | Annamalai Street, Savalkaddu                                               |
| Sirupiddy                     | 021-2231092  | boc339@boc.lk |             |             | Point Pedro Road, Sirupiddy                                                |



| Name of Branch                          | Telephone   | Email Address   | No. of ATMs | No. of CDMs | Postal Address                                                  |
|-----------------------------------------|-------------|-----------------|-------------|-------------|-----------------------------------------------------------------|
| Thalaimannar Pier                       | 023-2281085 | boc336@boc.lk   |             |             | Thalaimannar Pier, Thalaimannar                                 |
| Thirumurukandi                          | 021-2060110 | boc326@boc.lk   |             |             | Akkarayan Road, Thirumurukandi                                  |
| Thirunelveli ▲                          | 021-2223948 | boc761@boc.lk   | 1           |             | No. 102, Palaly Road, Thirunelveli                              |
| Urumpirai                               | 021-2230899 | boc794@boc.lk   | 1           |             | No. 39/1, Palaly Road, Urumpirai                                |
| Vaddukoddai                             | 021-2250990 | boc804@boc.lk   | 1           |             | Sangaraththai Junction, Vaddukoddai                             |
| Valvettiturai                           | 021-2264883 | boc791@boc.lk   | 1           |             | No. 65, Jaffna Road, Valvettiturai                              |
| Vavuniya ▲                              | 024-2222141 | boc044@boc.lk   | 2           | 2           | No. 75, Station Road, Vavuniya                                  |
| Vavuniya City                           | 024-2226631 | boc793@boc.lk   | 1           |             | No. 192, Bazaar Street, Vavuniya                                |
| Velanai ▲                               | 021-2225274 | boc063@boc.lk   | 1           |             | Vangalavady Junction, Velani                                    |
| Visuvamadu                              | 021-2061830 | boc328@boc.lk   |             |             | No. 268, Middle Class Scheme, New Punnaineeravi                 |
| <b>Other Service Points</b>             |             |                 |             |             |                                                                 |
| Jaffna District Secretariat Branch      | 021-2228808 | boc005@boc.lk   | 1           |             | Jaffna District Secretariat Building, A9 Road, Jaffna           |
| Kilinochchi District Secretariat Branch | 021-2285549 | boc093@boc.lk   |             |             | Kilinochchi District Secretariat Building, A9 Road, Kilinochchi |
| Mannar District Secretariat Branch      | 023-2251577 | boc046@boc.lk   |             |             | Mannar District Secretariat Building, Mannar                    |
| Mullaitivu District Secretariat Branch  | 021-2290021 | boc511@boc.lk   | 1           |             | Mullaitivu District Secretariat Building, Mullaitivu            |
| Vavuniya District Secretariat Branch    | 024-2222626 | boc044e1@boc.lk | 1           |             | Vavuniya District Secretariat Building, A9 Road, Vavuniya       |
| <b>Offsite ATMs</b>                     |             |                 |             |             |                                                                 |
| Air Force Iranamadu                     |             |                 | 1           |             |                                                                 |
| Air Force Vavuniya                      |             |                 | 1           |             |                                                                 |
| Jaffna University                       |             |                 | 1           |             |                                                                 |
| Jaffna Railway                          |             |                 | 1           |             |                                                                 |
| Jaffna Hospital                         |             |                 | 1           |             |                                                                 |
| <b>North Western Province</b>           |             |                 |             |             |                                                                 |
| Alawwa                                  | 037-2278180 | boc498@boc.lk   | 1           |             | No. 64, Giriulla Road, Alawwa                                   |
| Ambanpola                               | 037-2254099 | boc329@boc.lk   | 1           |             | 'Jayani Building', Anuradhapura Road, Ambanpola                 |
| Anamaduwa                               | 032-2263280 | boc548@boc.lk   | 1           |             | Nawagattegama Road, Anamaduwa                                   |
| Anavilundawa                            | 032-2259050 | boc330@boc.lk   | 1           |             | No. 55, 57, Puttalam Road, Anavilundawa                         |
| Bingiriya ■                             | 032-2246999 | boc554@boc.lk   | 1           |             | No. 35A, Chilaw Road, Bingiriya                                 |
| Chilaw ▲                                | 032-2223401 | boc020@boc.lk   | 1           | 1           | Radaguru Edmund Peiris Mawatha, Chilaw                          |
| Dambadeniya                             | 037-2266144 | boc331@boc.lk   |             |             | No. 70, Kurunegala Road, Dambadeniya                            |
| Dankotuwa                               | 031-2258180 | boc497@boc.lk   | 2           |             | No. 46, 48, Kurunegala Road, Dankotuwa                          |
| Dummalasuriya                           | 032-2240690 | boc580@boc.lk   | 1           |             | No. 227, Kuliypitiya – Madampe Road, Dummalasuriya              |
| Galgamuwa ▲                             | 037-2253080 | boc549@boc.lk   | 2           | 1           | No. 67, 69, Anuradhapura Road, Galgamuwa                        |
| Giriulla                                | 037-2288080 | boc553@boc.lk   | 1           |             | Market Complex, Giriulla                                        |
| Hettipola                               | 037-2291080 | boc570@boc.lk   | 1           |             | No. 141/B, Kurunegala Road, Hettipola                           |
| Hiripitiya ■                            | 037-2264080 | boc569@boc.lk   | 2           |             | No. 35/1, Kumbukgete Road, Hiripitiya, Nikadalupotha            |
| Ibbagamuwa                              | 037-2259970 | boc770@boc.lk   | 1           |             | No. 110, Dambulla, Kurunegala Road, Ibbagamuwa                  |
| Kalpitiya ■                             | 032-2260702 | boc589@boc.lk   | 1           |             | No. 90, Main Street, Kalpitiya                                  |
| Katuneriya                              | 031-2245500 | boc332@boc.lk   |             |             | Salwe Building, Kumara Veediya Junction, Katuneriya             |
| Katupotha                               | 037-2247471 | boc333@boc.lk   | 1           |             | Rambawewa Road, Katupotha                                       |
| Kirimatiyana                            | 031-2249960 | boc334@boc.lk   | 1           |             | 'Gayani Building' Kirimatiyana, Lunuwila                        |
| Kobeigana                               | 037-2293101 | boc172@boc.lk   | 1           |             | Main Street, Kobeigana                                          |
| Kochchikade                             | 031-2277353 | boc323@boc.lk   |             |             | No. 23, Chilaw Road, Kochchikade                                |
| Kuliypitiya                             | 037-2281280 | boc052@boc.lk   | 2           | 1           | No. 70, Madampe Road, Kuliypitiya                               |
| Kumbukgete                              | 037-2264680 | boc324@boc.lk   | 1           |             | Bhagya Traders Building, Kumbukgete                             |
| Kurunegala ▲                            | 037-2233880 | boc009@boc.lk   | 1           | 1           | Commercial Complex, Kurunegala                                  |
| Kurunegala 2nd City ▲                   | 037-2222331 | boc513@boc.lk   | 3           | 1           | No. 34, Colombo Road, Kurunegala                                |
| Madampe                                 | 032-2247680 | boc544@boc.lk   | 1           |             | No. 10, Station Road, Madampe                                   |
| Madawakkulama                           | 032-2052888 | boc805@boc.lk   | 1           |             | No. 85, Medawakkulama, Andigama                                 |
| Madurankuliya ■                         | 032-2268003 | boc565@boc.lk   | 1           |             | No. 66, Colombo Road, Madurankuliya                             |

| Name of Branch                         | Telephone   | Email Address   | No. of ATMs | No. of CDMs | Postal Address                                                           |
|----------------------------------------|-------------|-----------------|-------------|-------------|--------------------------------------------------------------------------|
| Mahawewa                               | 032-2054255 | boc319@boc.lk   | 1           |             | Kudawewa Road, Mahawewa                                                  |
| Maho                                   | 037-2275280 | boc564@boc.lk   | 1           |             | No. 145, Nikaweratiya Road, Maho                                         |
| Makandura                              | 031-2298303 | boc299@boc.lk   |             |             | Bandaranayake Mawatha, Makandura                                         |
| Malkaduwwa                             | 037-2052405 | boc255@boc.lk   | 1           |             | Décor Building, Negombo Road, Malkaduwwa, Kurunegala                     |
| Marawila                               | 032-2252675 | boc300@boc.lk   | 1           |             | No. 27/1, Chilaw Road, Marawila                                          |
| Mawathagama                            | 037-2299259 | boc257@boc.lk   | 1           |             | No. 58/108, Main Street, Mawathagama                                     |
| Melsiripura ■                          | 037-2250165 | boc555@boc.lk   | 2           | 1           | No. 254, Dambulla Road, Melsiripura                                      |
| Narammala                              | 037-2249280 | boc534@boc.lk   | 2           | 1           | No. 139, Negombo Road, Narammala                                         |
| Nattandiya ■                           | 032-2254280 | boc050@boc.lk   | 1           |             | Kuliyapitiya Road, Nattandiya                                            |
| Nikaweratiya                           | 037-2260280 | boc547@boc.lk   | 1           | 1           | Puttalam Road, Nikaweratiya                                              |
| Norochcholai ▲                         | 032-2268555 | boc779@boc.lk   | 1           |             | Kalpitiya Road, Norochcholai                                             |
| Palaviya                               | 032-2269210 | boc301@boc.lk   | 1           |             | Colombo Road, Palaviya                                                   |
| Pallama ▲                              | 032-2224945 | boc302@boc.lk   | 1           |             | Anamaduwa Road, Pallama                                                  |
| Pannala                                | 037-2246080 | boc546@boc.lk   | 2           | 1           | Public Ground Road, Pannala                                              |
| Paragahadeniya                         | 037-2296085 | boc303@boc.lk   | 1           |             | No. 123J, Balasuriya Watta, Kandy Road, Ilukewela, Wauda, Paragahadeniya |
| Polgahawela                            | 037-2243280 | boc526@boc.lk   | 1           |             | No. 135, Dutugamunu Junction, Kegalle Road, Polgahawela                  |
| Polpithigama                           | 037-2273103 | boc783@boc.lk   | 1           |             | Madagalla Road, Polpithigama                                             |
| Pothuhera                              | 037-2237619 | boc664@boc.lk   | 1           |             | No. 96, Colombo Road, Pothuhera                                          |
| Puttalam ■                             | 032-2265216 | boc048@boc.lk   | 2           | 1           | No. 53, Kurunegala Road, Puttalam                                        |
| Ridigama                               | 037-2252080 | boc532@boc.lk   | 1           |             | Keppetigala Road, Ridigama                                               |
| Saliyawewa                             | 032 4934326 | boc814@boc.lk   |             |             | Anuradhapura-Puttalam Road, Kande Uda, Saliyawewa                        |
| Thoduwwa ▲                             | 032-2256330 | boc305@boc.lk   |             |             | Church Road, Thoduwwa                                                    |
| Udappuwa ▲                             | 032-2258675 | boc306@boc.lk   |             |             | 2nd Division, Udappuwa                                                   |
| Waikkal                                | 031-2277280 | boc558@boc.lk   |             |             | No. 316A, Chilaw Road, Waikkal                                           |
| Wariyapola                             | 037-2267348 | boc379@boc.lk   | 2           | 1           | No. 1, Chilaw Road, Wariyapola                                           |
| Wayamba University                     | 037-2284480 | boc307@boc.lk   | 1           |             | Lionel Jayathilake Mawatha, Kanadulla, Kuliyapitiya                      |
| Weerapokuna                            | 032-3297720 | boc308@boc.lk   | 1           |             | Bowatta, Weerapokuna Road, Weerapokuna                                   |
| Wellawa                                | 037-2235499 | boc309@boc.lk   | 1           |             | Sovis Building, Hiripitiya Road, Wellawa                                 |
| Welpalla                               | 031-2299512 | boc104@boc.lk   |             |             | Agriculture Service Centre, Welpalla                                     |
| Wennappuwa                             | 031-2255280 | boc508@boc.lk   | 1           | 1           | No. 197, Chilaw Road, Wennappuwa                                         |
| <b>Other Service Points</b>            |             |                 |             |             |                                                                          |
| Kurunegala District Secretariat Branch | 037-2229726 | boc009e1@boc.lk |             |             | Kurunegala District Secretariat Building, Kurunegala                     |
| Puttalam District Secretariat Branch   | 032-2265351 | boc048@boc.lk   |             |             | Puttalam District Secretariat Building, Puttalam                         |
| Kuliyapitiya Hospital                  |             |                 | 1           |             |                                                                          |
| <b>Mobile Branch</b>                   |             |                 |             |             |                                                                          |
| Mobile Branch                          |             |                 | 1           |             |                                                                          |
| <b>Offsite ATMs</b>                    |             |                 |             |             |                                                                          |
| BOI Mawathagama                        |             |                 | 1           |             |                                                                          |
| Chilaw Hospital                        |             |                 | 1           |             |                                                                          |
| Kuliyapitiya Hospital                  |             |                 | 1           |             |                                                                          |
| Kurunegala Base Hospital               |             |                 | 1           |             |                                                                          |
| Kurunegala Provincial Council          |             |                 | 1           |             |                                                                          |
| North Western Province Office          |             |                 | 1           |             |                                                                          |
| Thulhiriya Mas Fabric                  |             |                 | 1           |             |                                                                          |
| Waikkal SME Centre                     |             |                 | 1           |             |                                                                          |
| Badagamuwa Tourist Information Centre  |             |                 | 1           |             |                                                                          |

| Name of Branch                  | Telephone   | Email Address | No. of ATMs | No. of CDMs | Postal Address                                                             |
|---------------------------------|-------------|---------------|-------------|-------------|----------------------------------------------------------------------------|
| <b>Sabaragamuwa Province</b>    |             |               |             |             |                                                                            |
| Aranayake                       | 035-2258016 | boc566@boc.lk | 1           |             | No. 480, Dippitiya, Aranayake                                              |
| Avissawella ▲                   | 036-2222099 | boc530@boc.lk | 3           | 1           | No. 47, Dharmapala Mawatha, Avissawella                                    |
| Ayagama                         | 045-2250080 | boc401@boc.lk | 1           |             | No. 38, Kalawana Road, Ayagama                                             |
| Balangoda ■                     | 045-2288390 | boc688@boc.lk | 2           |             | No. 137, Main Street, Balangoda                                            |
| Bulathkohupitiya                | 036-2247356 | boc311@boc.lk | 1           |             | New Town Centre, Kegalle Road, (Opposite Police Station), Bulathkohupitiya |
| Dehiowita                       | 036-2222580 | boc634@boc.lk | 1           |             | No. 62, Main Street, Dehiowita                                             |
| Deraniyagala                    | 036-2249280 | boc642@boc.lk | 1           |             | No. 37, Noori Road, Deraniyagala                                           |
| Eheliyagoda ■                   | 036-2259571 | boc057@boc.lk | 2           | 1           | No. 46, Main Street, Eheliyagoda                                           |
| Embilipitiya                    | 047-2230980 | boc535@boc.lk | 2           | 1           | No. 545, New Town, Embilipitiya                                            |
| Embilipitiya City               | 047-2261981 | boc312@boc.lk | 1           |             | No. 187, Moraketiya Road, Embilipitiya                                     |
| Endana                          | 045-3450661 | boc313@boc.lk | 1           |             | New Town, Endana, Gabbela, Kahawatta                                       |
| Galigamuwa                      | 035-2282050 | boc314@boc.lk | 1           |             | No. 97, Kegalle Road, Galigamuwa                                           |
| Godakawela                      | 045-2240080 | boc786@boc.lk | 1           |             | No. 168, Main Street, Godakawela                                           |
| Gonagaldeniya                   | 036-2267280 | boc316@boc.lk |             |             | Basnagoda Road, Gonagaldeniya                                              |
| Hemmathagama                    | 035-2257280 | boc772@boc.lk | 1           |             | No. 86, Mawanella Road, Hemmathagama                                       |
| Kahawatta                       | 045-2270180 | boc507@boc.lk | 1           |             | No. 692, Main Street, Kahawatta                                            |
| Kalawana                        | 045-2255280 | boc645@boc.lk | 1           |             | No. 53C, 53C 1/1, 53C 1/2, Ratnapura Road, Manana, Kalawana                |
| Karawanella                     | 036-2268780 | boc294@boc.lk |             |             | No. 133/7, Avissawella Road, Karawanella                                   |
| Karawita                        | 045-2279070 | boc295@boc.lk |             |             | Palawela Road, Udakarawita, Karawita                                       |
| Kegalle                         | 035-2230600 | boc027@boc.lk | 2           | 1           | No. 110, Colombo Road, Kegalle                                             |
| Kegalle City                    | 035-2222550 | boc536@boc.lk |             |             | No. 681/5, Main Street, Kegalle                                            |
| Kegalle Hospital                | 035-2222765 | boc297@boc.lk | 1           |             | Base Hospital Premises, Kegalle                                            |
| Kiriella                        | 045-2265080 | boc317@boc.lk | 1           |             | No. 7A, Idangoda, Kiriella                                                 |
| Kithulgala                      | 036-2287747 | boc282@boc.lk |             |             | No. 81, Hatton Road, Kithulgala                                            |
| Kolonna                         | 045-2260280 | boc283@boc.lk | 1           |             | Kurundu Welendasela, New Town, Kolonna                                     |
| Kotiyakumbura                   | 035-2289240 | boc284@boc.lk | 1           |             | No. 132, Kegalle Road, Kotiyakumbura                                       |
| Kuruwita                        | 045-2262581 | boc325@boc.lk | 1           | 1           | No. 60, Ratnapura Road, Kuruwita                                           |
| Mawanella                       | 035-2246280 | boc559@boc.lk | 2           | 1           | No. 43, Main Street, Mawanella                                             |
| Morontota                       | 035-2278114 | boc285@boc.lk |             |             | Bulathkohupitiya Road, Morontota                                           |
| Nelundeniya                     | 035-2284855 | boc799@boc.lk | 1           |             | No. 25, Kandy Road, Nelundeniya                                            |
| Nivitigala ■                    | 045-2279280 | boc597@boc.lk | 1           |             | No. 72, Kalawana Road, Nivitigala                                          |
| Pallebedda                      | 045-2241614 | boc816@boc.lk | 1           |             | No. 191, Main Street, Pallebedda                                           |
| Pelmadulla                      | 045-2274380 | boc683@boc.lk | 1           |             | No. 57, Main Street, Pelmadulla                                            |
| Pinnawala ■                     | 035-2264294 | boc287@boc.lk |             |             | Elephant Orphanage, Pinnawala                                              |
| Rakwana                         | 045-2246280 | boc594@boc.lk | 1           |             | No. 51, Main Street, Rakwana                                               |
| Rambukkana                      | 035-2265280 | boc582@boc.lk | 2           | 1           | No. 8A, Diyasunnatha Mawatha, Rambukkana                                   |
| Ratnapura Hospital              | 045-2223561 | boc315@boc.lk | 1           |             | General Hospital, Ratnapura                                                |
| Ratnapura ■                     | 045-2222100 | boc031@boc.lk | 2           | 1           | No. 4, Dharmapala Mawatha, Ratnapura                                       |
| Ratnapura City                  | 045-2222710 | boc684@boc.lk | 1           | 1           | No. 195, Main Street, Ratnapura                                            |
| Ruwanwella ■                    | 036-2266280 | boc585@boc.lk | 1           |             | Public Trade Complex, Ruwanwella                                           |
| Sabaragamuwa Provincial Council | 045-2226116 | boc288@boc.lk | 1           |             | Provincial Council New Building, New Town, Ratnapura                       |
| Sabaragamuwa University         | 045-2280093 | boc286@boc.lk | 1           |             | Sabaragamuwa University, Pambahinna, Balangoda                             |
| Seethawakapura                  | 036-2232656 | boc290@boc.lk | 1           |             | BOI Sri Lanka Office Complex, Industrial Processing Zone, Seethawakapura   |
| Thalduwa                        | 036-2234412 | boc798@boc.lk | 1           |             | No. C 250/2, Thalduwa, Avissawella                                         |
| Udawalawa                       | 047-2232180 | boc291@boc.lk | 1           |             | No. 168/6, Walawa Junction, Udawalawe                                      |
| Warakapola                      | 035-2267258 | boc562@boc.lk | 1           |             | No. 89A, Main Street, Warakapola                                           |
| Weligepola                      | 045-2227180 | boc292@boc.lk |             |             | No. 299/2, Weligepola                                                      |
| Weli Oya                        | 045-3603304 | boc274@boc.lk | 1           |             | Madabedda, Weli Oya                                                        |
| Yatiantota                      | 036-2271280 | boc477@boc.lk | 1           |             | No. 93, Ginigathhena Road, Yatiantota                                      |

| Name of Branch                          | Telephone   | Email Address | No. of ATMs | No. of CDMs | Postal Address                                     |
|-----------------------------------------|-------------|---------------|-------------|-------------|----------------------------------------------------|
| <b>Other Service Points</b>             |             |               |             |             |                                                    |
| Kegalle District Secretariat Branch     | 035-2231574 | boc027@boc.lk |             |             | Kegalle District Secretariat Building, Kegalle     |
| Ratnapura District Secretariat Branch   | 045-2222454 | boc031@boc.lk |             |             | Ratnapura District Secretariat Building, Ratnapura |
| <b>Offsite ATMs</b>                     |             |               |             |             |                                                    |
| Embilipitiya Hospital                   |             |               | 1           |             |                                                    |
| Hydramani Industries Kuruwita           |             |               | 1           |             |                                                    |
| Jay Jay Mills Avissawella               |             |               | 1           |             |                                                    |
| Macro Ware Nivitigala                   |             |               | 1           |             |                                                    |
| Petrol Shed –<br>By pass way to Kegalle |             |               | 1           |             |                                                    |
| <b>Southern Province</b>                |             |               |             |             |                                                    |
| Ahangama                                | 091-2283977 | boc276@boc.lk | 1           |             | No. 71/1, Galle Road, Ahangama                     |
| Ahungalla                               | 091-2264107 | boc754@boc.lk | 1           |             | No. 87A, Galle Road, Ahungalla                     |
| Akuressa                                | 041-2283280 | boc613@boc.lk | 2           | 1           | No. 50, D C Wanigasekara Mawatha, Akuressa         |
| Aluthwala                               | 091-3094700 | boc277@boc.lk |             |             | Aluthwala Junction, Aluthwala                      |
| Ambalangoda                             | 091-2256307 | boc047@boc.lk | 2           | 1           | No. 345, Galle Road, Ambalangoda                   |
| Ambalantota                             | 047-2223280 | boc537@boc.lk | 2           | 1           | No. 11, Wanduruppa Road, Ambalantota               |
| Angunakolapellasa                       | 047-2229120 | boc774@boc.lk | 1           |             | Hungama Road, Angunakolapellasa                    |
| Baddegama                               | 091-2292280 | boc525@boc.lk | 1           |             | Abeywickrama Building, Baddegama                   |
| Barawakumbuka                           | 047-3621008 | boc278@boc.lk |             |             | New Road, Barawakumbuka                            |
| Batapola                                | 091-2260405 | boc522@boc.lk | 1           |             | Aluthwaththa, Batapola                             |
| Beliatta                                | 047-2243274 | boc539@boc.lk | 1           |             | No. 67, Walasmulla Road, Beliatta                  |
| Bentota                                 | 034-2275283 | boc102@boc.lk | 1           |             | Tourist Village, Bantota                           |
| Deiyandara                              | 041-2268598 | boc784@boc.lk | 1           |             | Hakmana Road, Deiyandara                           |
| Deniyaya                                | 041-2273870 | boc528@boc.lk | 1           |             | Main Street, Deniyaya                              |
| Devinuwara                              | 041-2222247 | boc504@boc.lk | 1           |             | Tangalle Road, Devinuwara                          |
| Dickwella                               | 041-2255280 | boc592@boc.lk | 1           |             | No. 28 & 28/1, Beliatta Road, Dickwella            |
| Elpitiya ▲                              | 091-2291280 | boc619@boc.lk | 2           | 1           | Janadhipathi Mawatha, Elpitiya                     |
| Galle                                   | 091-4933120 | boc003@boc.lk | 1           | 1           | No. 2, Light House Street, Fort, Galle             |
| Galle City ▲                            | 091-2227804 | boc089@boc.lk | 3           | 2           | No. 2, Gamini Road, Galle                          |
| Hakmana                                 | 041-2286280 | boc691@boc.lk | 1           |             | Beliatta Road, Hakmana                             |
| Hambantota                              | 047-2220180 | boc085@boc.lk | 1           | 1           | No. 33, Tower Hill Road, Hambantota                |
| Hikkakaduwa                             | 091-2277813 | boc609@boc.lk | 1           |             | No. 223, Galle Road, Hikkaduwa                     |
| Imaduwa                                 | 091-2286030 | boc135@boc.lk | 1           | 1           | Ahangama Road, Imaduwa                             |
| Kamburupitiya                           | 041-2292213 | boc529@boc.lk | 1           |             | School Lane, Kamburupitiya                         |
| Karapitiya                              | 091-2227090 | boc280@boc.lk | 1           |             | No. 600/2, Hirimbura Road, Karapitiya              |
| Kataragama                              | 047-2235280 | boc616@boc.lk | 1           |             | No. 315, Tissamaharama Road, Kataragama            |
| Katuwana                                | 047-3621005 | boc261@boc.lk |             |             | Urubokka Road, Katuwana                            |
| Kekunadura                              | 041-2265061 | boc262@boc.lk | 1           |             | Sarath Building, Kekanadura Junction, Kekunadura   |
| Koggala                                 | 091-2283380 | boc750@boc.lk | 1           |             | Koggala, Habaraduwa                                |
| Kosmodara                               | 041-2271070 | boc263@boc.lk | 1           |             | 'Deshan Building', Deniyaya Road, Kotapola         |
| Kudawella                               | 041-2257514 | boc264@boc.lk | 1           |             | No. 116 B, East Kudawella, Nakulugamuwa            |
| Lunuganvehera                           | 047-3621007 | boc265@boc.lk |             |             | No. 7, New Town, Lunugamvehera                     |
| Maha-Edanda                             | 091-3932627 | boc266@boc.lk | 1           |             | Maha-Edanda, Karandeniya                           |
| Makandura-Matara                        | 041-2268785 | boc267@boc.lk | 1           |             | Samarasinghe Building, Makandura                   |
| Malimbada                               | 041-2240447 | boc268@boc.lk |             |             | Akuressa Road, Malimbada                           |
| Matara ▲                                | 041-2229280 | boc024@boc.lk | 3           | 1           | No. 11, Kumaratunga Mawatha, Matara                |
| Matara City                             | 041-2222218 | boc614@boc.lk | 1           | 1           | No. 58, New Tangalle Road, Kotuwegoda, Matara      |
| Mattala Airport ◀                       | 047-2031909 | boc796@boc.lk | 1           |             | Mattala Airport, Mattala                           |
| Middeniya                               | 047-2247280 | boc518@boc.lk | 1           |             | Panamure Road, Middeniya                           |
| Morawaka                                | 041-2282700 | boc270@boc.lk | 1           |             | Nilwala Court, Pansalagodella watta, Morawaka      |
| Nagoda                                  | 091-2296241 | boc818@boc.lk |             |             | Mapalagama Road, Nagoda                            |





| Name of Branch                     | Telephone   | Email Address   | No. of ATMs | No. of CDMs | Postal Address                                                 |
|------------------------------------|-------------|-----------------|-------------|-------------|----------------------------------------------------------------|
| Neluwa                             | 091-3783014 | boc667@boc.lk   | 1           |             | Kadihingala Road, Neluwa                                       |
| Pasgoda                            | 041-3444321 | boc271@boc.lk   | 1           |             | Nishantha Building, Pasgoda Junction, Pasgoda                  |
| Pitabeddara                        | 041-2281081 | boc272@boc.lk   | 1           |             | Deniyaya Road, Pitabeddara                                     |
| Pitigala                           | 091-2291205 | boc610@boc.lk   | 1           |             | No. 39, North Pitigala Road, Pitigala                          |
| Ranna                              | 047-2227280 | boc767@boc.lk   | 1           |             | No. 165/1, Thissa Road, Ranna                                  |
| Rathgama ▲                         | 091-2267791 | boc259@boc.lk   | 1           |             | Mangala Food City Building, Galle Road                         |
| Ruhunu Campus                      | 041-2232880 | boc693@boc.lk   | 1           |             | Meddawatta, Matara                                             |
| Suriyawewa                         | 047-2288280 | boc751@boc.lk   | 1           |             | No. 27/1, Main Street, Suriyawewa                              |
| Talgaswela                         | 091-2296480 | boc596@boc.lk   | 1           |             | Elpitiya, Mapalagama Road, Talgaswela                          |
| Tangalle                           | 047-2240280 | boc056@boc.lk   | 2           | 1           | Muhudumawatha, Tangalle                                        |
| Tawalama                           | 091-3783030 | boc250@boc.lk   | 1           |             | No. 7, Egiliyagedera Watta, Tawalama                           |
| Thihagoda                          | 041-2245529 | boc752@boc.lk   |             |             | Pradeshiya Sabha Building, Thihagoda                           |
| Tissamaharama                      | 047-2237280 | boc538@boc.lk   | 2           | 1           | No. 70, Main Street, Tissamaharama                             |
| Udugama                            | 091-2285015 | boc753@boc.lk   |             |             | H A L A Building, Watte Kade, Udugama                          |
| Uragasmanhandiya ▲                 | 091-2264865 | boc748@boc.lk   | 1           |             | Main Street, Uragasmanhandiya                                  |
| Urubokka                           | 041-2272280 | boc298@boc.lk   | 1           |             | Main Street, Urubokka                                          |
| Walasmulla                         | 047-2245280 | boc517@boc.lk   | 1           |             | No. 70, Beliatta Road, Walasmulla                              |
| Walgama                            | 041-3497192 | boc744@boc.lk   | 1           |             | No. 904, Galle Road, Walgama                                   |
| Wanduramba                         | 091-3096061 | boc800@boc.lk   | 1           |             | Lion Centre, Mapalagama Road, Wanduramba                       |
| Warapitiya                         | 047-3623303 | boc733@boc.lk   |             |             | Siththam Gallena Road, Rammala, Warapitiya                     |
| Weeraketiya                        | 047-2246280 | boc139@boc.lk   | 1           |             | Belliatta Road, Weeraketiya                                    |
| Weligama                           | 041-2250280 | boc550@boc.lk   | 2           | 1           | No. 239, Main Street, Weligama                                 |
| Yakkalamulla                       | 091-2286080 | boc578@boc.lk   | 1           |             | Yakkalamulla Junction, Yakkalamulla                            |
| <b>Other Service Points</b>        |             |                 |             |             |                                                                |
| Hambantota Administrative Complex  | 047-2256180 | boc085e2@boc.lk |             |             | Administrative Complex, Gannoruwa Road, Siribopura, Hambantota |
| Galle District Secretariat Branch  | 091-2234514 | boc003@boc.lk   | 1           |             | Galle District Secretariat Building, Galle                     |
| Matara District Secretariat Branch | 041-2222673 | boc024e1@boc.lk | 1           |             | Matara District Secretariat Building, Matara                   |
| <b>Offsite ATMs</b>                |             |                 |             |             |                                                                |
| Hambantota Base Hospital           |             |                 | 1           |             |                                                                |
| Beliatte Bus Stand                 |             |                 | 1           |             |                                                                |
| Dakshinapaya Labuduwa              |             |                 | 1           |             |                                                                |
| MAS Holdings Middeniya             |             |                 | 1           |             |                                                                |
| Matara General Hospital            |             |                 | 1           |             |                                                                |
| Ranna BAM Holdings                 |             |                 | 1           |             |                                                                |
| <b>Uva Province</b>                |             |                 |             |             |                                                                |
| Badalkumbura                       | 055-2250279 | boc540@boc.lk   | 1           | 1           | No. 127, Main Street, Badalkumbura                             |
| Badulla                            | 055-2222980 | boc011@boc.lk   | 3           | 1           | Bank Road, Badulla                                             |
| Badulla City                       | 055-2229580 | boc729@boc.lk   |             |             | No. 1, Bandarawela Road, Badulla                               |
| Ballekatuwa                        | 055-2285160 | boc320@boc.lk   | 1           |             | No. 36, Passara Road, Ballekatuwa                              |
| Bandarawela                        | 057-2230014 | boc515@boc.lk   | 2           | 1           | No. 198B, Badulla Road, Bandarawela                            |
| Bibile                             | 055-2265480 | boc579@boc.lk   | 1           |             | No. 41, Mahiyangana Road, Bibile                               |
| Bogahakumbura                      | 057-2280088 | boc699@boc.lk   | 1           |             | No. 67, Kappetipola Road, Bogahakumbura                        |
| Boragas                            | 052-2051888 | boc795@boc.lk   |             |             | No. 2/50, Padinawela, Nuwara Eliya Road, Boragas               |
| Buttala                            | 055-2273980 | boc560@boc.lk   | 2           | 1           | Moneragala Road, Buttala                                       |
| Dambagalla                         | 055-2275092 | boc700@boc.lk   | 1           |             | Opposite New Bus Stand, Makulla Town, Dambagalla               |
| Diyatalawa                         | 057-2229092 | boc260@boc.lk   | 1           |             | No. 28, Chandrasiri Building, Bandarawela Road, Diyatalawa     |
| Ella                               | 057-2228899 | boc701@boc.lk   | 1           |             | Wellaway Road, Ella                                            |
| Ethiliwewa                         | 055-2272515 | boc702@boc.lk   |             |             | Ethiliwewa Junction, Ethiliwewa                                |
| Ethimale                           | 055-2275511 | boc810@boc.lk   | 1           |             | Lakjaya Enterprises Building, Ethimale                         |
| Ettampitiya                        | 055-2294080 | boc476@boc.lk   | 1           |             | No. 23, Nuwara Eliya Road, Ettampitiya                         |

| Name of Branch                    | Telephone   | Email Address | No. of ATMs | No. of CDMs | Postal Address                                              |
|-----------------------------------|-------------|---------------|-------------|-------------|-------------------------------------------------------------|
| Girandurukotte                    | 027-2254380 | boc669@boc.lk | 1           |             | New Town, Girandurukotte                                    |
| Haldumulla                        | 057-2050202 | boc463@boc.lk | 1           |             | Colombo Road, Haldumulla                                    |
| Hali-Ela                          | 055-2295080 | boc785@boc.lk | 1           |             | No. 47, Bandarawela Road, Hali-Ela                          |
| Haputale                          | 057-2268080 | boc035@boc.lk | 1           |             | No. 20, Station Road, Haputale                              |
| Hasalaka                          | 055-2257180 | boc365@boc.lk | 1           |             | New Town, Hasalaka                                          |
| Keppetipola                       | 057-2280043 | boc703@boc.lk | 1           |             | No. 18, Borlanda Road, Keppetipola                          |
| Koslanda                          | 057-2257780 | boc629@boc.lk | 1           |             | No. 03, Poonagala Road, Koslanda                            |
| Lunugala                          | 055-2263980 | boc577@boc.lk |             |             | No. 149, Main Street, Lunugala                              |
| Lunuwatta                         | 057-2232742 | boc647@boc.lk | 1           |             | Padmasiri Building, Udapussellawa Road, Lunuwatta           |
| Maha Oya                          | 063-2244155 | boc806@boc.lk | 1           |             | Wijethunga Building, Maha Oya                               |
| Mahiyangana                       | 055-2258195 | boc542@boc.lk | 1           | 1           | Badulla Road, Mahiyangana                                   |
| Medagama                          | 055-2266580 | boc238@boc.lk | 1           |             | No. 171, Main Street, Medagama                              |
| Meegahakivula                     | 055-2245707 | boc384@boc.lk | 1           |             | Ratnayake Complex, Meegahakivula                            |
| Moneragala                        | 055-2276180 | boc082@boc.lk | 2           | 1           | No. 401, Wellawaya Road, Moneragala                         |
| Moneragala City                   | 055-2277270 | boc705@boc.lk | 1           |             | Near the Lanka Hardware, New Bus Stand Road, Moneragala     |
| Okkampitiya                       | 055-2272092 | boc706@boc.lk |             |             | Ubeysiri Building, Okkampitiya                              |
| Padiyatalawa                      | 063-2246003 | boc348@boc.lk | 1           |             | Main Street, Padiyatalawa                                   |
| Passara                           | 055-2288280 | boc503@boc.lk | 1           | 1           | No. 386, Main Street, Passara                               |
| Pelwatta                          | 055-3559825 | boc707@boc.lk | 1           |             | Sugar Complex Branch, Pelwatta                              |
| Siyambalanduwa                    | 055-3555360 | boc416@boc.lk | 1           |             | Moneragala Road, Siyambalanduwa                             |
| Thanamalwila                      | 047-2234080 | boc322@boc.lk | 1           |             | No. 6, Tissa Road, Thanamalwila                             |
| Uva-Paranagama                    | 057-3577000 | boc343@boc.lk |             |             | Lunuatugama, Walahamulla, Uva-Paranagama                    |
| Welimada                          | 057-2245984 | boc730@boc.lk | 1           | 1           | Hemapala Munidasa Mawatha, Welimada                         |
| Wellawaya                         | 055-2274880 | boc434@boc.lk | 2           | 1           | Tissamaharama Road, Wellawaya                               |
| <b>Other Service Points</b>       |             |               |             |             |                                                             |
| Badulla District                  |             |               |             |             |                                                             |
| Secretariat Branch                | 055-2225475 |               |             |             | Badulla District Secretariat Building, Badulla              |
| Moneragala District               |             |               |             |             |                                                             |
| Secretariat Branch                | 055-2055517 |               |             |             | Moneragala District Secretariat Building, Moneragala        |
| <b>Offsite ATMs</b>               |             |               |             |             |                                                             |
| Air Force – Diyatalawa            |             |               | 1           |             |                                                             |
| Badulla Bus Stand                 |             |               | 1           |             |                                                             |
| Badulla Hospital                  |             |               | 1           |             |                                                             |
| Bandarawela New Bus Stand         |             |               | 1           |             |                                                             |
| Sirigala Hospital Moneragala      |             |               | 1           |             |                                                             |
| Uva Wellassa University           |             |               | 1           |             |                                                             |
| Wijewickrama Book Shop – Welimada |             |               | 1           |             |                                                             |
| Mahiyanganaya Bus Stand           |             |               | 1           |             |                                                             |
| Mahiyanganaya Base Hospital       |             |               | 1           |             |                                                             |
| <b>Western Province (North)</b>   |             |               |             |             |                                                             |
| Andiambalama                      | 011-2258184 | boc494@boc.lk | 1           |             | No. 113, Minuwangoda Road, Andiambalama                     |
| Batuwatte                         | 011-2960892 | boc708@boc.lk | 1           |             | Narangodapaluwa, Batuwatta                                  |
| Biyagama ▲                        | 011-5058970 | boc732@boc.lk | 2           |             | IPZ Administrative Complex, Biyagama                        |
| Bopitiya                          | 011-2243172 | boc711@boc.lk | 1           |             | No. 2, Bopitiya Junction, Pamunugama                        |
| Borella ▲                         | 011-4612617 | boc038@boc.lk | 4           | 1           | No. 71, Dr. Danister De Silva Mawatha, Colombo 08           |
| Borella 2                         | 011-2685140 | boc668@boc.lk |             |             | No. 845, Super Market Complex, Colombo 08                   |
| Central Bus Stand                 | 011-5365118 | boc573@boc.lk |             |             | Central Bus Stand, Colombo 11                               |
| Central Super Market              | 011-2446475 | boc672@boc.lk |             |             | 2nd Floor, Central Super Market, Colombo 11                 |
| City Office                       | 011-2438455 | boc001@boc.lk | 2           | 1           | No. 41, Bristol Street, Colombo 01                          |
| Dalugama                          | 011-2909929 | boc715@boc.lk | 1           |             | No. 465/A, Kandy Road, Dalugama, Kelaniya                   |
| Delgoda                           | 011-2402970 | boc716@boc.lk | 1           |             | No. 351/H/5, New Kandy Road, Delgoda                        |
| Demanhandiya                      | 031-2228730 | boc717@boc.lk | 1           |             | No. 370, Westerseaton Farm, Divulapitiya Road, Demanhandiya |
| Dematagoda                        | 011-5335594 | boc561@boc.lk |             |             | No. 45, 47, Kolonnawa Road, Colombo 09                      |

| Name of Branch                          | Telephone   | Email Address | No. of ATMs | No. of CDMs | Postal Address                                                       |
|-----------------------------------------|-------------|---------------|-------------|-------------|----------------------------------------------------------------------|
| Divulapitiya                            | 031-2246280 | boc433@boc.lk | 2           | 1           | No. 34, Negombo Road, Divulapitiya                                   |
| Elakanda                                | 011-2932282 | boc258@boc.lk | 1           |             | No. 48, Hendala Road, Hendala, Wattala                               |
| Enderamulla                             | 011-2937240 | boc674@boc.lk | 1           |             | No. 117, Gongithota Road, Enderamulla, Wattala                       |
| Fish Market Peliyagoda ◀                | 011-2934042 | boc718@boc.lk | 1           |             | No. RMU 9, New Fish Market Complex, Peliyagoda                       |
| Gampaha ◀                               | 033-2234404 | boc045@boc.lk | 3           | 2           | No. 16, Rest House Road, Gampaha                                     |
| Ganemulla                               | 033-2265888 | boc720@boc.lk | 1           |             | No. 378/C, Kadawatha Road, Genemulla                                 |
| Gothatuwa                               | 011-2411018 | boc721@boc.lk | 1           |             | No. 33, Gothatuwa New Town, Gothatuwa                                |
| Grandpass ▲                             | 011-2448202 | boc628@boc.lk | 1           |             | No. 703, Sirimavo Bandaranaike Mawatha, Colombo 14                   |
| Hulftsdorp                              | 011-2422770 | boc032@boc.lk | 1           | 1           | No. 30, St. Sebastian Hill, Colombo 12                               |
| Ja-Ela ▲                                | 011-2236494 | boc039@boc.lk | 2           | 1           | No. 19, Negombo Road, Ja-Ela                                         |
| Kadawatha                               | 011-2920687 | boc059@boc.lk | 3           | 1           | No. 469, Ragama Road, Kadawatha                                      |
| Kadawatha 2 City                        | 011-2922095 | boc780@boc.lk | 1           |             | No. 430/11, New Town Complex, Kandy Road, Kadawatha                  |
| Kandana                                 | 011-2232398 | boc771@boc.lk | 1           |             | No. 41/B-1/1, Negombo Road, Kandana                                  |
| Katana                                  | 031-2228353 | boc722@boc.lk | 1           |             | No. 305/J/1, Mirigama Road, Mahahunupitiya                           |
| IPZ Katunayake                          | 011-2259583 | boc658@boc.lk | 1           |             | No. 436, Baseline Road, Averiawatta, Katunayake IPZ                  |
| Katuwellegama                           | 011-2299055 | boc714@boc.lk | 1           |             | No. 487, Negombo Road, Katuwellegama                                 |
| Kiribathgoda ▲                          | 011-2911304 | boc543@boc.lk | 2           | 1           | No. 201, Kandy Road, Kiribathgoda                                    |
| Kirindiwela                             | 033-2269944 | boc571@boc.lk | 2           |             | No. 137, Radawana Road, Kirindiwela                                  |
| Kolonnawa ▲                             | 011-2572265 | boc595@boc.lk | 2           | 1           | No. 430A, IDH Road, Kolonnawa                                        |
| Kotahena                                | 011-2448632 | boc663@boc.lk | 1           | 1           | No. 182, George R De Silva Mawatha, Colombo 13                       |
| Lake House                              | 011-5863723 | boc636@boc.lk | 1           |             | D R Wijeyawardena Mawatha, Colombo 10                                |
| Lake View                               | 011-5859693 | boc612@boc.lk | 1           |             | No. 142, Sir. James Peiris Mawatha, Colombo 02                       |
| Main Street ▲                           | 011-2393541 | boc026@boc.lk | 2           | 1           | No. 94, Main Street, Colombo 11                                      |
| Makola                                  | 011-2964401 | boc789@boc.lk | 1           |             | No. 177/1, Makola South, Makola                                      |
| Maradana                                | 011-2684219 | boc041@boc.lk | 1           |             | No. 94, S Mahinda Himi Mawatha, Colombo 10                           |
| Minuwangoda                             | 011-2295214 | boc545@boc.lk | 3           | 1           | No. 21A, Divulapitiya Road, Minuwangoda                              |
| Mirigama                                | 033-2275975 | boc088@boc.lk | 2           | 1           | No. 12, Amaratunga Mawatha, Mirigama                                 |
| Mulleriyawa New Town                    | 011-2157465 | boc723@boc.lk | 1           |             | No. 314/R, Avissawella Road, Mulleriyawa New Town                    |
| Naiwala                                 | 033-2297720 | boc724@boc.lk | 1           |             | Divulapitiya Road, Naiwala                                           |
| Narahenpita                             | 011-2368514 | boc762@boc.lk | 1           |             | No. 540, Thimbirigasyaya Road, Colombo 05                            |
| Negombo ▲                               | 031-2224711 | boc018@boc.lk | 2           | 1           | No. 118, Rajapakse Broadway, Negombo                                 |
| Negombo City ▲                          | 031-2232133 | boc572@boc.lk | 1           |             | No. 111, Main Street, Negombo                                        |
| Nittambuwa                              | 033-2287280 | boc675@boc.lk | 3           | 1           | Market Complex, Nittambuwa                                           |
| Peliyagoda ▲                            | 011-2980025 | boc042@boc.lk | 1           | 1           | No. 51, Negombo Road, Peliyagoda                                     |
| Personal ◉                              | 011-2446821 | boc681@boc.lk | 3           | 1           | Head Office, 'BOC Square', No. 1, Bank of Ceylon Mawatha, Colombo 01 |
| Pugoda ▲                                | 011-2404821 | boc765@boc.lk | 1           |             | No. 40/1, 43, Kospitiyana, Pugoda                                    |
| Raddolugama                             | 011-2289977 | boc687@boc.lk | 1           |             | No. 9B, 94L, National Housing Scheme, Raddolugama                    |
| Ragama                                  | 011-2960291 | boc764@boc.lk | 2           | 1           | No. 16/26, Kadawatha Road, Ragama                                    |
| Regent Street ▲                         | 011-2690506 | boc627@boc.lk | 1           |             | National Hospital, Colombo 08                                        |
| Seeduwa                                 | 011-2259590 | boc421@boc.lk | 1           |             | No. 429, 429/1, Negombo Road, Seeduwa                                |
| The Central Hospital                    | 011-2690546 | boc713@boc.lk | 1           |             | No. 114, 4 Floor, Norris Canal Road, Colombo 10                      |
| Veyangoda                               | 033-2287279 | boc682@boc.lk | 1           |             | No. 203A, Negombo Road, Veyangoda                                    |
| Wattala ▲                               | 011-5868394 | boc505@boc.lk | 2           |             | No. 216, Negombo Road, Wattala                                       |
| Welisara ▲                              | 011-2958485 | boc527@boc.lk | 1           |             | No. 540/2, Negombo Road, Welisara                                    |
| Weliweriya                              | 033-2255444 | boc677@boc.lk | 1           |             | No. 342, New Kandy Road, Weliweriya                                  |
| Yakkala                                 | 033-2233591 | boc769@boc.lk | 1           | 1           | No. 38A, Kandy Road, Yakkala                                         |
| <b>Other Service Points</b>             |             |               |             |             |                                                                      |
| BOI Cash Collection Centre ◀            | 011-2448875 | boc681@boc.lk |             |             | BOI Cash Collection Center, WTC Building, Ground Floor, Colombo 01   |
| BOI Katunayake-Cash Collection Centre ▲ | 011-2252523 | boc658@boc.lk |             |             | Export Processing Road, Katunayake                                   |
| Cargo Office ▲                          | 011-2251943 | boc658@boc.lk |             |             | Air Cargo Building, Sri Lankan Air Lines, BOI, Katunayake            |
| Gampaha District Secretariat Branch     | 033-2220860 | boc045@boc.lk |             |             | Gampaha District Secretariat Building, Gampaha                       |
| Narahenpita District Secretariat Branch | 011-3000140 | boc762@boc.lk |             |             | Narahenpita District Secretariat Building, Narahenpita               |

| Name of Branch                                      | Telephone   | Email Address | No. of ATMs | No. of CDMs | Postal Address                                           |
|-----------------------------------------------------|-------------|---------------|-------------|-------------|----------------------------------------------------------|
| <b>Mobile Branch</b>                                |             |               |             |             |                                                          |
| Mobile Branch                                       |             |               | 1           |             | Mobile Vehicle ATM installed on 6 January 2017           |
| <b>Offsite ATMs</b>                                 |             |               |             |             |                                                          |
| Agio Tobacco Co.,<br>BEPZ, Malwana                  |             |               | 1           |             |                                                          |
| Air Force Camp Ekala                                |             |               | 1           |             |                                                          |
| Air Force Camp Katunayake                           |             |               | 1           |             |                                                          |
| Castle Hospital, Borella                            |             |               | 1           |             |                                                          |
| Grandpass Sugathadasa<br>Stadium                    |             |               | 1           |             |                                                          |
| Lady Ridgeway Hospital                              |             |               | 1           |             |                                                          |
| Linea Aqua Garments,<br>Kapugoda                    |             |               | 2           |             |                                                          |
| Narahenpita Economic Centre                         |             |               | 1           | 1           |                                                          |
| Sri Lanka Navy Camp<br>Welisara                     |             |               | 1           |             |                                                          |
| Negombo Bus Stand                                   |             |               | 1           |             |                                                          |
| Negombo Hospital                                    |             |               | 1           |             |                                                          |
| New Nuge Road, Peliyagoda                           |             |               | 1           |             |                                                          |
| Petroleum Corporation –<br>Kolonnawa                |             |               | 1           |             |                                                          |
| Regent Street Doctors<br>Quarters                   |             |               | 1           |             |                                                          |
| Sri Lanka Standards – Borella                       |             |               | 1           |             |                                                          |
| Trelleborg Lanka (Private)<br>Limited, Supugaskanda |             |               | 1           |             |                                                          |
| World Trade Centre                                  |             |               | 1           |             |                                                          |
| <b>Western Province (South)</b>                     |             |               |             |             |                                                          |
| <b>Administrative Complex</b>                       |             |               |             |             |                                                          |
| Isurupaya                                           | 011-2785875 | boc671@boc.lk | 1           |             | Education Department, Isurupaya, Pelawatta, Battaramulla |
| Agalawatta                                          | 034-2243450 | boc657@boc.lk | 1           |             | No. 22, Matugama Road, Agalawatta                        |
| Aluthgama ▲                                         | 034-2271413 | boc680@boc.lk | 2           |             | No. 14, Douglas Gunawardana Mawatha, Aluthgama           |
| Athurugiriya                                        | 011-2561378 | boc757@boc.lk | 1           | 1           | No. 70/20, Malabe Road, Athurugiriya                     |
| Baduraliya ■                                        | 034-2244167 | boc662@boc.lk | 1           |             | No. 75, Rathnapura Road, Baduraliya                      |
| Bambalapitiya ▲                                     | 011-2583330 | boc037@boc.lk | 2           | 1           | No. 10, Unity Plaza Building, Galle Road, Bambalapitiya  |
| Bandaragama                                         | 038-2290280 | boc665@boc.lk | 2           | 1           | Janadhipathi Mawatha, Bandaragama                        |
| Battaramulla                                        | 011-2862575 | boc679@boc.lk | 2           | 1           | No. 231, Main Street, Battaramulla                       |
| Beruwala ▲                                          | 034-2279899 | boc058@boc.lk | 1           | 1           | No. 165 A, Galle Road, Beruwala                          |
| Bombuwela                                           | 034-2289825 | boc651@boc.lk | 1           |             | No. 22/8, Dehigalawala Road, Mankada, Bombuwela          |
| Boralessgamuwa                                      | 011-2518478 | boc646@boc.lk | 1           |             | No. 50, Lake Road, Boralessgamuwa                        |
| Bulathsinhala                                       | 034-2283116 | boc673@boc.lk | 1           |             | Athura, Bulathsinhala                                    |
| Dehiwala ■                                          | 011-2712075 | boc051@boc.lk | 2           | 1           | No. 207, Galle Road, Dehiwala                            |
| Dharga Town                                         | 034-2275247 | boc563@boc.lk | 1           |             | No. 298, Main Street, Darga Town                         |
| Dodangoda ▲                                         | 034-2281628 | boc293@boc.lk | 1           |             | No. 14, Tudugala Junction, Dodangoda                     |
| Gonapola                                            | 034-2257550 | boc643@boc.lk | 1           |             | No. 643, Colombo Road, Gonapola                          |
| Gurugoda                                            | 034-4285500 | boc659@boc.lk | 2           |             | Body Line (Pvt.) Limited, Gurugoda, Horana               |
| Hanwella ▲                                          | 036-2253520 | boc741@boc.lk | 2           |             | No. 133/8, Low Level Road, Hanwella                      |
| Homagama ▲                                          | 011-2855059 | boc568@boc.lk | 2           | 1           | No. 93, High Level Road, Homagama                        |
| Horana ■                                            | 034-2260428 | boc054@boc.lk | 3           | 1           | No. 87, Anguruwathota Road, Horana                       |
| Hyde Park                                           | 011-2687281 | boc521@boc.lk | 1           |             | No. 500, T. B. Jayah Mawatha, Colombo 10                 |
| Independence Square ▲                               | 011-2678073 | boc453@boc.lk | 1           | 1           | Independence Square, Colombo 07                          |
| Ingiriya                                            | 034-2269280 | boc604@boc.lk | 1           |             | No. 20, Panadura Road, Ingiriya                          |
| Jayawardenapura Hospital                            | 011-2779136 | boc520@boc.lk | 1           |             | Sri Jayawardenapura Hospital, Thalpathpitiya, Nugegoda   |
| Kaduwela                                            | 011-2537999 | boc608@boc.lk | 2           | 1           | No. 123A, Colombo Road, Kaduwela                         |



| Name of Branch                             | Telephone   | Email Address | No. of ATMs | No. of CDMs | Postal Address                                                                         |
|--------------------------------------------|-------------|---------------|-------------|-------------|----------------------------------------------------------------------------------------|
| Kalutara ◊                                 | 034-2229804 | boc016@boc.lk | 2           | 1           | No. 218, Galle Road, Kalutara South, Kalutara                                          |
| Katubedda Campus                           | 011-3096112 | boc631@boc.lk | 1           |             | Bank of Ceylon Extension Office, University of Moratuwa, Moratuwa                      |
| Katubedda                                  | 011-2625438 | boc030@boc.lk | 1           |             | No. 601, Galle Road, Katubedda                                                         |
| Katukurunda ■                              | 034-2221364 | boc625@boc.lk | 1           |             | No. 915, Galle Road, Katukurunda                                                       |
| Kesbewa                                    | 011-2602517 | boc620@boc.lk | 1           |             | No. 229/D/2, Bandaragama Road, Kesbewa                                                 |
| Keselwatta ▲                               | 038-2288888 | boc617@boc.lk | 1           |             | No. 29, Galle Road, Keselwatta, Panadura                                               |
| Kirulapone                                 | 011-2513874 | boc602@boc.lk | 1           |             | No. 88, High Level Road, Kirulapone                                                    |
| Kollupitiya                                | 011-4795036 | boc034@boc.lk | 1           |             | No. 28, St. Michael's Road, Colombo 03                                                 |
| Kollupitiya 2 City                         | 011-2565380 | boc670@boc.lk | 1           |             | No. 409, Galle Road, Colombo 03                                                        |
| Kothalawala Defence University             | 011-2636280 | boc813@boc.lk | 1           |             | General Sir John Kothalawala Defence University, Kandawala Estate, Ratmalana           |
| Kottawa ■                                  | 011-2783313 | boc773@boc.lk | 1           |             | No. 103, High Level Road, Kottawa, Pannipitiya                                         |
| Lanka Hospitals ▲                          | 011-2369535 | boc603@boc.lk | 1           |             | No. 578, Elvitigala Mawatha, Narahenpita, Colombo 05                                   |
| Maharagama ▲                               | 011-2746146 | boc055@boc.lk | 4           | 2           | No. 88, High Level Road, Maharagama                                                    |
| Malabe ■                                   | 011-2760753 | boc763@boc.lk | 3           | 1           | No. 787, Kaduwela Road, Malabe                                                         |
| Mattegoda                                  | 011-2782399 | boc583@boc.lk | 1           |             | No. 193/20, Opposite Bus Stand, Mattegoda                                              |
| Matugama ■                                 | 034-2243590 | boc556@boc.lk | 2           | 1           | No. 72, Agalawatta Road, Matugama                                                      |
| Meegoda                                    | 011-2831589 | boc567@boc.lk | 1           |             | No. 35, Padukka Road, Meegoda                                                          |
| Milagiriya                                 | 011-2504627 | boc593@boc.lk | 1           |             | No. 248, Galle Road, Colombo 04                                                        |
| Moratumulla                                | 011-2652178 | boc557@boc.lk | 1           |             | No. 240/2/1, De Soya Road, Moratumulla, Moratuwa                                       |
| Moratuwa ▲                                 | 011-2644161 | boc061@boc.lk | 2           |             | No. 707, Galle Road, Moratuwa                                                          |
| Mount Lavinia ▲                            | 011-2721060 | boc766@boc.lk | 1           |             | No. 286, Galle Road, Mount Lavinia                                                     |
| National Institute of Education Maharagama | 011-7601605 | boc552@boc.lk |             |             | No. 21, High Level Road, Maharagama                                                    |
| Nugegoda ▲                                 | 011-2825612 | boc049@boc.lk | 3           | 2           | No. 174, Highlevel Road, Nugegoda                                                      |
| Padukka ▲                                  | 011-2859112 | boc678@boc.lk | 2           | 1           | No. 33, Horana Road, Padukka                                                           |
| Panadura ▲                                 | 038-2243323 | boc007@boc.lk | 2           | 1           | No. 21, Susantha Mawatha, Panadura                                                     |
| Panadura City ▲                            | 038-2243324 | boc607@boc.lk | 1           |             | No. 21, Jayathilaka Mawatha, Panadura                                                  |
| Parliament                                 | 011-2777309 | boc644@boc.lk | 1           |             | Parliament Complex Branch, Sri Jayawardanepura, Kotte                                  |
| Pelawatta                                  | 011-2785550 | boc690@boc.lk |             |             | No. 18A, Parliament Road, Pelawatte, Battaramulla                                      |
| Pelawatte City – Kalutara                  | 034-2284717 | boc541@boc.lk | 1           |             | No. 151, Matugama Road, Pelawatte                                                      |
| Piliyandala ▲                              | 011-2614165 | boc736@boc.lk | 2           | 1           | No. 58, Moratuwa Road, Piliyandala                                                     |
| Pitakotte                                  | 011-2820311 | boc533@boc.lk | 1           |             | No. 130C/1, Pagoda Road, Pitakotte                                                     |
| Rajagiriya                                 | 011-2887637 | boc746@boc.lk | 2           | 1           | No. 608, Nawala Road, Rajagiriya                                                       |
| Ratmalana ▲                                | 011-2719735 | boc689@boc.lk | 2           | 1           | No. 452, Galle Road, Ratmalana                                                         |
| Sethsiripaya                               | 011-2863637 | boc523@boc.lk |             |             | Sethsiripaya Complex, Battaramulla                                                     |
| Thalawathugoda                             | 011-2775027 | boc516@boc.lk | 1           |             | No. 215/2, Pannipitiya Road, Thalawathugoda                                            |
| Thimbirigasyaya                            | 011-2590602 | boc512@boc.lk | 1           |             | Sambuddathwa Jayanthi Mandiraya, Thunmulla Junction, Colombo 05                        |
| Union Place                                | 011-2314757 | boc043@boc.lk | 1           |             | No. 278, Access Tower, Colombo 02                                                      |
| Visakha Vidyalaya                          | 011-2556226 | boc775@boc.lk | 1           |             | No. 133C, Vajira Road, Colombo 04                                                      |
| Wadduwa ▲                                  | 038-2232538 | boc584@boc.lk | 1           |             | No. 557/A, Galle Road Wadduwa                                                          |
| Wellawatte ▲                               | 011-2588941 | boc023@boc.lk | 2           | 1           | No. 149/2, Galle Road, Colombo 06                                                      |
| Wijerama Junction                          | 011-2803551 | boc499@boc.lk | 1           |             | No. 705, Gangodawila, Nugegoda                                                         |
| <b>Other Service Points</b>                |             |               |             |             |                                                                                        |
| B.M.I.C.H Premises                         | 011-2696820 |               | 1           |             | BMICH, Baudhaloka Mawatha, Colombo 07                                                  |
| Immigration & Emigration Office            | 011-2862065 |               | 1           |             | Secretariat of Personal Identification, 'Suhurupaya', Subhuthipura, Battaramulla       |
| Kalutara District Secretariat Branch       | 034-2222286 |               | 1           |             | Kalutara District Secretariat Building, Kalutara                                       |
| Development Lotteries Board                | 011-2333547 |               |             |             | P O Box No. 2,220, No. 356, Dr. Colvin R. De Silva Mawatha, (Union Place), Colombo 02. |
| Srawasthi Mandiraya                        | 011-2681366 |               | 1           |             | Srawasthi Mandiraya, Colombo 07                                                        |
| NSBM University                            | 011-2755510 |               | 1           |             | University Complex of NSBM, Pitipana, Homagama                                         |

| Name of Branch                                                   | Telephone      | Email Address    | No. of ATMs | No. of CDMs | Postal Address                                                                        |
|------------------------------------------------------------------|----------------|------------------|-------------|-------------|---------------------------------------------------------------------------------------|
| <b>Offsite ATMs</b>                                              |                |                  |             |             |                                                                                       |
| NIE Maharagama                                                   |                |                  | 1           |             |                                                                                       |
| Air Force Ratmalana                                              |                |                  | 1           |             |                                                                                       |
| Army Camp Panagoda                                               |                |                  | 1           |             |                                                                                       |
| Auditor General's Department                                     |                |                  | 1           |             |                                                                                       |
| Ballys Entertainment Centre,<br>D R Wijewardana Mawatha          |                |                  | 2           |             |                                                                                       |
| Body Line Agalawatta                                             |                |                  | 1           |             |                                                                                       |
| Central Engineering<br>Consultancy Bureau<br>Bauddhaloka Mawatha |                |                  | 1           |             |                                                                                       |
| Dehiwala Zoo                                                     |                |                  | 1           |             |                                                                                       |
| German Technical Training<br>Institute, Ratmalana                |                |                  | 1           |             |                                                                                       |
| HIL Garments – Kahathuduwa                                       |                |                  | 1           |             |                                                                                       |
| Homagama Hospital                                                |                |                  | 1           |             |                                                                                       |
| Kalubowila Hospital                                              |                |                  | 1           |             |                                                                                       |
| Katubedda University                                             |                |                  | 1           |             |                                                                                       |
| Maharagama Cancer Hospital                                       |                |                  | 1           |             |                                                                                       |
| Marina Club<br>(Rank Entertainment)                              |                |                  | 1           |             |                                                                                       |
| Odel Alexandra Place                                             |                |                  | 1           |             |                                                                                       |
| Panadura Base Hospital                                           |                |                  | 1           |             |                                                                                       |
| Salawa Army Camp                                                 |                |                  | 1           |             |                                                                                       |
| SLIIT Malabe                                                     |                |                  | 1           |             |                                                                                       |
| Sports Ministry                                                  |                |                  | 1           |             |                                                                                       |
| Sri Lanka Insurance<br>Corporation                               |                |                  | 1           |             |                                                                                       |
| Stardust (Rank Entertainment)                                    |                |                  | 1           |             |                                                                                       |
| Water Board, Ratmalana                                           |                |                  | 1           |             |                                                                                       |
| Private Medical College Malabe                                   |                |                  | 1           |             |                                                                                       |
| Southern Express Way                                             |                |                  | 2           |             |                                                                                       |
| NIE – Meepe                                                      |                |                  | 1           |             |                                                                                       |
| <b>Corporate Branches</b>                                        |                |                  |             |             |                                                                                       |
| Corporate                                                        | 011-2446814    | agmcr@boc.lk     |             |             | Bank of Ceylon Head Office,<br>'BoC Square' No. 01 Bank of Ceylon Mawatha, Colombo 01 |
| Corporate 2                                                      | 011-2386080    | agmrecco@boc.lk  |             |             | Bank of Ceylon Head Office,<br>'BoC Square' No. 01 Bank of Ceylon Mawatha, Colombo 01 |
| Offshore banking Division                                        | 011-2338765    | agmoffsho@boc.lk |             |             | Bank of Ceylon Head Office,<br>'BoC Square' No. 01 Bank of Ceylon Mawatha, Colombo 01 |
| Pettah ▲                                                         | 011-2434478    | bocpb@boc.lk     | 2           | 1           | No. 212/63, Gas Works Street, Colombo 11                                              |
| Metropolitan                                                     | 011-2328521    | bocmb@boc.lk     | 2           | 1           | No. 61, Hospital Lane, Colombo 01                                                     |
| Taprobane                                                        | 011-2422267    | boc747@boc.lk    |             |             | No. 61, Hospital Lane, Colombo 01                                                     |
| <b>Other Service Points</b>                                      |                |                  |             |             |                                                                                       |
| Canal Yard – S L P A ▲                                           | 011-2483526    |                  |             |             | Sri Lanka Ports Authority, Canal Yard, Colombo 01                                     |
| Permit Office –<br>S L P A Hunters ▲                             | 011-2483542    |                  |             |             | Security Division, Sri Lanka Ports Authority, Colombo 01                              |
| Sri Lanka Bureau of Foreign<br>Employment ▲                      | 011-2864147    |                  |             |             | No. 234, Denzil Kobbekaduwa Mawatha, Koswatta, Battaramulla                           |
| Warehouse Sri Lanka Ports<br>Authority ▲                         | 011-2942620    |                  |             |             | Warehouse, New Nuge Road, Peliyagoda                                                  |
| Pettah Divisional<br>Secretariat Branch                          | 011-2434478-50 |                  |             |             | Colombo Divisional Secretariat Branch, No. 80, Dam Street,<br>Colombo 12              |
| Ceylon Shipping Lines Limited                                    | 011-2680301    |                  |             |             | No. 760, Dr Danister de Silva Mawatha, Colombo 09                                     |



| Name of Branch                                  | Telephone                      | Email Address                | No. of ATMs | No. of CDMs | Postal Address                                                                              |
|-------------------------------------------------|--------------------------------|------------------------------|-------------|-------------|---------------------------------------------------------------------------------------------|
| Customs Imports Unit<br>(Long Room) ▲■          | 011-2447030<br>011-2447031     |                              |             |             | No. 40, Customs New Building, Colombo 11                                                    |
| Ministry of Health                              | 011-2694033                    |                              |             |             | Suwasiripaya, No. 38, Ven. Baddegama Wimalawansa Thero Mawatha, Colombo 10                  |
| Inland Revenue Department                       | 011-2337367                    |                              |             |             | Department of Inland Revenue, Sir Chittampalam A Gardiner Mawatha, Colombo 02               |
| Jawatta Inland Revenue                          | 011-5657162                    |                              |             |             | Inland Revenue Department, No. 80, Jawatte Road, Colombo 05                                 |
| Laksiri Seva (Private) Limited                  | 011-2917729                    |                              |             |             | No. 66, New Nuge Road, Peliyagoda                                                           |
| Trico Maritime (Private) Limited                | 011-3134764                    |                              |             |             | No. 50, K Cyril C Perera Mawatha, Colombo 13                                                |
| <b>Offsite ATMs</b>                             |                                |                              |             |             |                                                                                             |
| Sri Lanka Ports Authority,<br>Jaya Terminal     |                                |                              | 1           |             |                                                                                             |
| Bellagio Club, Duplication<br>Road, Colombo 3   |                                |                              | 2           |             |                                                                                             |
| Sri Lanka Bureau of Foreign<br>Employment       |                                |                              | 1           |             |                                                                                             |
| Ceylon Dockyard PLC                             |                                |                              | 1           |             |                                                                                             |
| Ceylon Fisheries Harbour                        |                                |                              | 1           |             |                                                                                             |
| Sri Lanka Air Force Head<br>Quarters, Colombo 2 |                                |                              | 1           |             |                                                                                             |
| Ministry of Health                              |                                |                              | 1           |             |                                                                                             |
| Dept. of Pensions –<br>Malgawatte               |                                |                              | 1           |             |                                                                                             |
| Customs New Head Office                         |                                |                              | 1           |             |                                                                                             |
| Inland Revenue Department                       |                                |                              | 1           |             |                                                                                             |
| <b>Int-Pay Office</b>                           |                                |                              |             |             |                                                                                             |
| Katunayake Airport                              | 011-2252424                    | payofficebia@boc.lk          | 2           |             | Bank of Ceylon, Bandaranayake International Airport, Katunayake                             |
| <b>Premier Banking</b>                          |                                |                              |             |             |                                                                                             |
| BOC Premier                                     | 011-2694282                    | pbc@boc.lk                   | 1           |             | No. 21, Sir Ernest De Silva Mawatha, Colombo 07                                             |
| <b>Mobile Banking</b>                           |                                |                              |             |             |                                                                                             |
| Mobile Banking Unit                             |                                |                              | 1           |             |                                                                                             |
| <b>Overseas Branches</b>                        |                                |                              |             |             |                                                                                             |
| Malé                                            | +9603323045<br>+9603314764     | bcmale@<br>dhivehinet.net.mv | 2           |             | Aage 12, Boduthakurufaanu, Magu,<br>Henneiru, Malé. 20094, Republic of Maldives             |
| Chennai                                         | +914439519913<br>+914428190972 | ceybank@vsnl.com             |             |             | No. 2, Zerat Garden, 2 Lane, Off Casa Major Road, Egmore,<br>Chennai 600 008                |
| Seychelles                                      | +2484611880<br>+2484611889     | boc807@boc.lk                | 2           |             | 2-05, Capital City Building,<br>Independence Avenue, Victoria, Mahe, Republic of Seychelles |

**Holiday and special banking services**

- Sunday
- ▲ Saturday
- ◀ Saturday & Sunday
- ⊗ 365 day Banking
- ◇ Night Banking

# Correspondent Banks by Country

## Afghanistan

1. DA Afghanistan Bank

## Albania

2. Raiffeisen Bank

## Algeria

3. Banque Exterieur d'Algerie

## Argentina

4. Banco Credicoop Cooperativo Ltd
5. Banco Finansur SA
6. Banco Macro SA

## Armenia

7. ArdshinInvest Bank CJSC

## Australia

8. Australia & New Zealand Banking Group Ltd
9. HSBC Bank Australia Ltd
10. National Australia Bank Ltd
11. Westpac Banking Corporation

## Austria

12. Allgemeine Sparkasse Oberosterreich Bank AG
13. BAWAG PSK Bank
14. BKS Bank AG
15. Erste Bank der Oesterreichischen Sparkassen AG
16. Erste Group Bank AG
17. Oberbank AG
18. Raiffeisen Bank International AG
19. Raiffeisenlandesbank Oberosterreich Aktiengesellschaft
20. Salzburger Landes – Hypothekenbank AG
21. Volksbank Wien-Baden AG
22. Uni Credit Bank Austria AG (Bank Austria Creditanstalt AG)
23. Vorarlberger Landes- und Hypothekenbank Aktiengesellschaft

## Bahrain

24. Ahli United Bank
25. Al Baraka Islamic Bank
26. Bahrain Islamic Bank
27. Arab Banking Corporation
28. BBK (Formerly Bank of Bahrain & Kuwait BSC)
29. BMI Bank B S C (C)
30. Gulf International Bank
31. Habib Bank Limited
32. HSBC Bank Middle East
33. National Bank of Bahrain
34. The Arab Investment Company

## Bangladesh

35. Agrani Bank
36. Bangladesh Krishi Bank
37. BASIC Bank Ltd (Bangladesh Small Industries & Commerce Bank Ltd)
38. Dutch-Bangla Bank
39. Janata Bank
40. Prime Bank Ltd
41. Pubali Bank Ltd
42. Sonali Bank
43. The Premier Bank Ltd
44. Uttara Bank Ltd

## Belarus

45. Belarus Bank
46. Belvnesheconombank

## Belgium

47. Antwerpse Diamant Bank NV
48. Banca Monte Paschi, Belgio
49. Byblos Bank Europe SA
50. Deutsche Bank SA/NV
51. Fortis Bank NV/SA
52. ING Belgium SA/NV
53. KBC Bank NV

## Bermuda

54. Bank of Bermuda Ltd

## Botswana

55. Barclays Bank of Botswana Ltd

## Brazil

56. Banco ABC Brazil S.A.
57. Banco do Brazil
58. Banco Fibra S.A.
59. Banco Industrial e Comercial S.A. (BICBANCO)
60. Banco Indusval S.A.

## Bulgaria

61. Central Cooperative Bank
62. Investbank PLC
63. Municipal Bank PLC
64. Raiffeisenbank (Bulgaria) EAD
65. Teximbank
66. UniCredit BulBank AD (Formerly Bulbank AD)
67. United Bulgarian Bank AD

## Cambodia

68. ACLEDA Bank PLC

## Canada

69. Bank of Montreal
70. Bank of Nova Scotia
71. Canadian Imperial Bank of Commerce
72. HSBC Bank Canada
73. Royal Bank of Canada
74. Toronto Dominion Bank

## Chile

75. Corpbanca

## China

76. Bank of Changsha
77. Bank of China
78. Bank of Communications
79. Bank of Hangzhou Co. Ltd
80. Bank of Jiangsu Co. Ltd
81. Bank of Jiujiang Co. Ltd
82. Bank of Nanjing
83. Bank of Shaoxing Co. Ltd
84. Bank of Xi'an Co. Ltd
85. Changshu Rural Commercial Bank
86. China Construction Bank Corporation
87. China Development Bank Corporation
88. China Everbright Bank Co. Ltd
89. Evergrowing Bank Co. Ltd
90. Export Import Bank of China
91. OCBC Wing Hang Bank (CHINA) Ltd
92. Zhejiang Nanxun Rural Cooperative Bank
93. Zhejiang Xiaoshan Rural Cooperative Bank

## Colombia

94. Banco Popular

## Cook Islands

95. WSBC Bank Co. Ltd

## Croatia

96. Zagrebacka Banka dd

## Cyprus

97. Alpha Bank Cyprus Ltd
98. Bank of Cyprus Public Company Ltd
99. Hellenic Bank Public Company Ltd
100. National Bank of Greece (Cyprus) Ltd

## Czech Republic

101. Ceska Sportelna A.S.
102. Ceskoslovenska Obchodni Banka A.S.
103. Komerčni Banka A.S.
104. LBBW Bank CZ A.S.
105. Moneta Money Bank A.S.
106. Raiffeisen Bank A.S.
107. UniCredit Bank CZECH Republic A.S.

## Denmark

108. ALS Skiern Bank
109. Danmarks National Bank
110. Danske Bank A/S
111. Jyske Bank A/S

112. Nordea Bank Danmark A/S
113. Nordjyske Bank A/S
114. Rinkjobing Landbo- bank
115. Skjern Bank
116. Spar Nord Bank A/S
117. Sparebank Vest
118. Sydbank A/S
119. Vestjysk Bank

## Ecuador

120. Banca International Produbanco

## Egypt

121. ABC Egypt (Arab Banking Corp.)
122. Arab International Bank
123. Bank of Alexandria (ALEXBANK)
124. Banque Du Caire SAE
125. Banque Misr SAE
126. Central Bank of Egypt
127. Commercial International Bank (Egypt) SAE
128. Calyon Bank (Egypt) SAE
129. Egyptian Saudi Finance Bank
130. Faisal Islamic Bank of Egypt SAE
131. Mohandes Bank
132. National Bank of Egypt
133. Suez Canal Bank SAE

## Estonia

134. SEB Bank

## Ethiopia

135. Commercial Bank of Ethiopia

## Fiji

136. National Bank of Fiji Limited
137. Westpac Banking Corporation

## Finland

138. Aktia Bank PLC
139. Nordea Bank Finland PLC
140. OKO Osuuspankkiin Keskuspankki OYJ
141. OP Corporate Bank PLC
142. Sampo Bank PLC

## France

143. AL Khaliji France SA
144. Bank of India (Paris Branch)
145. Banque BIA
146. Banque De Neufville, Schlum-berger, Mallet, Demachy
147. Banque D'Escompte
148. Banque Federative DU Credit Mutuel
149. Banque Palatine
150. Banque SBA
151. BNP Paribas
152. Calyon
153. CIC Lyonnaise De Banque
154. Credit Agricole
155. Credit Cooperatif
156. Credit DU Nord
157. Credit Industrial DEL'Quest
158. Credit Industrial ET Commercial (CIC)





- 159. Credit Lyonnais
- 160. HSBC Private Bank France SA
- 161. NATIXIS (Formerly Natexis Banque Populaires)
- 162. Societe Generale
- 163. Union De Banques A Paris (UBAF)-(Union De Banques Arabes ET Francaises)
- 164. VTB Bank (France) SA (Formerly Banque Commerciale Pour L'Europe Du Nordeurobank)

**Georgia**

- 165. Bank of Georgia

**Germany**

- 166. Baden Wuttenbergische Bank AG
- 167. Bankhaus Carlf Plump & Co.
- 168. Bankhaus Neelmeyer AG
- 169. Bayerische Landesbank
- 170. Berenberg Bank
- 171. Berliner Volksbank EG
- 172. BHF Bank Aktiengesellschaft
- 173. Bremer Landesbank
- 174. CommerzBank AG (Dusseldorf)
- 175. CommerzBank AG (Frankfurt)
- 176. Degussa Bank
- 177. Deutsche Bank AG
- 178. Deutsche Bundesbank
- 179. Deutsche PostBank AG
- 180. DVB Bank AG
- 181. DZ Bank AG Deutsche Zentral Genossenschaftsbank
- 182. Frankfurter Volksbank EG
- 183. Hamburger Sparkasse AG
- 184. HSBC Trinkaus & Burkhardt KGA
- 185. ING BHF – Bank AG
- 186. Kreissparkasse Esslingen-Nurtingen
- 187. Kreissparkasse Goppingen
- 188. Kreissparkasse Heilbronn
- 189. Landesbank Baden-Wuerttemberg
- 190. Landesbank Berlin AG (Merger of Bankgesel-Ischaft Berlin AG & Landesbank Berlin AG)
- 191. Landesbank Hessen Thuringen Girozentrale
- 192. LRP Landesbank Rheinland PFALZ
- 193. Mainzer Volksbank eG
- 194. Nassauische Sparkasse
- 195. Norddeutsche Landes-bank Girozentrale
- 196. NRW Bank
- 197. Oldenburgische Landesbank AG
- 198. Sparkasse Bielefeld
- 199. Sparkasse Dortmund
- 200. Sparkasse Duren
- 201. Sparkasse Essen (Stadtsparkasse Essen)
- 202. Sparkasse Hannover
- 203. Sparkasse Herford

- 204. Sparkasse Pforzheim Calw
- 205. Stadtsparkasse Dusseldorf
- 206. Stadtsparkasse Monchengladbach
- 207. Stadtsparkasse Wuppertal
- 208. Standard Chartered Bank (Frankfurt)
- 209. UniCredit Bank AG (Bayerische Hypo-und Vereinsbank AG)
- 210. Westlab AG

**Ghana**

- 211. Ghana Commercial Bank Ltd

**Greece**

- 212. Alpha Bank
- 213. Aspis Bank
- 214. EFG Eurobank Ergasias SA
- 215. Marfin Egnatia Bank SA
- 216. National Bank of Greece
- 217. Piraeus Bank

**Hong Kong**

- 218. Bank of East Asia Ltd
- 219. Cathay Bank
- 220. Chiyu Banking Corporation Limited
- 221. Chong Hing Bank Limited
- 222. DAH Sing Bank Limited
- 223. DBS Bank (Hong Kong) Ltd
- 224. Hang Seng Bank Ltd
- 225. Hong Kong & Shanghai Banking Corporation
- 226. Industrial & Commercial Bank of China (Asia) Ltd
- 227. Nan Yang Commercial Bank Ltd
- 228. OCBC Wing Hang Bank Ltd
- 229. Oversea-Chinese Banking Corporation
- 230. Shanghi Commercial Bank Ltd
- 231. UBAF Hong Kong Ltd (Union De Banques Arabes ET Francaises – UBAF)

**Hungary**

- 232. Bank of Hungarian Savings Cooperatives Co. Ltd
- 233. Budapest Bank RT
- 234. Central-European Int'l Bank Ltd (CIC Bank)
- 235. Erst Bank Hungary NYRT
- 236. Kereskedelmi ES HitelBank (K and H Bank NYRT)
- 237. Magyar Nemzeti Bank (National Bank of Hungary)
- 238. Raiffeisen Bank ZRT
- 239. UniCredit Bank Hungary ZRT

**Iceland**

- 240. Glitnir Banki HF (Formerly Islandbanki FAB Ltd)

**India**

- 241. Allahabad Bank
- 242. Andhra Bank
- 243. Axis Bank
- 244. Bank of Baroda
- 245. Bank of India (Mumbai)
- 246. Bank of Maharashtra
- 247. Canara Bank
- 248. Central Bank of India
- 249. Corporation Bank
- 250. Development Credit Bank Ltd
- 251. HDFC Bank
- 252. ICICI Bank Ltd
- 253. IDBI Bank Ltd
- 254. Indian Bank
- 255. Indian Overseas Bank
- 256. Indusind Bank Ltd
- 257. Jammu & Kashmir Bank Ltd
- 258. Karur Vysya Bank
- 259. Punjab & Sind Bank Ltd
- 260. Punjab National Bank
- 261. RBL Bank Ltd
- 262. Saraswat-Cooperative Bank Ltd
- 263. State Bank of India
- 264. State Bank of Hyderabad
- 265. State Bank of Travancore
- 266. Syndicate Bank
- 267. Tamilnad Mercantile Bank Ltd
- 268. The Bank of Rajasthan Ltd
- 269. UCO Bank
- 270. Union Bank of India
- 271. United Bank of India
- 272. YES Bank

**Indonesia**

- 273. Bank Artha Graha
- 274. Bank International Indonesia
- 275. Bank Mega
- 276. PT Bank Bukopin
- 277. PT Bank Central Asia TBK
- 278. PT Bank Ekspor Indonesia
- 279. PT Bank Mandiri (PERSERO)
- 280. PT Bank Negara Indonesia TBK
- 281. PT Bank Pan Indonesia TBK (Panin Bank)
- 282. PT Bank Permata TBK
- 283. PT Bank Rabobank International
- 284. PT Bank Rakyat Indonesia

**Iraq**

- 285. Central Bank of Iraq
- 286. Rafidain Bank
- 287. Rasheed Bank

**Ireland**

- 288. Allied Irish Bank PLC

**Israel**

- 289. Bank Hapoalim Bank
- 290. Bank Leumi Le Israel BM
- 291. Bank of Palestine
- 292. First International Bank of Israel Ltd

- 293. Israel Discount Bank
- 294. Mercantile Discount Bank Ltd
- 295. Mizrahi Tefahot Bank Ltd
- 296. Union Bank of Israel Ltd

**Italy**

- 297. Banca Agricola Mantovana SPA
- 298. Banca Antonveneta SpA
- 299. Banca Carige SpA
- 300. Banca Delle Marche SpA
- 301. Banca Popolare DI Cividale SCPA
- 302. Banca DI Credito Cooperativo DI ALBA
- 303. Banca DI Imola SpA
- 304. Banca DI Roma
- 305. Banca Etruria Soc.Coop.
- 306. Banca Monte DEI Paschi DI Siena
- 307. Banca Nazionale Del Lavoro SpA
- 308. Banca Popolare Soc. Coop. (Banca Popolare DI Verona E Novara SCRL) – Verona
- 309. Banca Popolare – Volksbank (Banca Popolare Dell Alto ADIGE)
- 310. Banca Popolare Dell Emilia Romagna
- 311. Banca Popolare DI Milano
- 312. Banca Popolare DI Ravenna SpA
- 313. Banca Popolare DI Sondrio
- 314. Banca Popolare DI Vicenza Joint Stock Company
- 315. Banca Regionale Europea SpA
- 316. Banca Toscana SpA
- 317. Banca UBAE SpA
- 318. Banca Valsabbina SCPA
- 319. Banco Carim-Cassa DI Risparmio DI Rimini SpA
- 320. Banca DI Desio E Della Brianza SpA
- 321. Banco DI Sardegna SpA
- 322. Banco DI Sicilia
- 323. Bipop – Carires
- 324. Cassa DI Risparmio DI Parma e Piacenza SpA, (CARIPARMA SPA)
- 325. Cassa DI Risparmio DI Ascoli Piceno SpA
- 326. Cassa DI Risparmio DI Bolzano SpA
- 327. Cassa DI Risparmio DI Carrara SpA
- 328. Cassa DI Risparmio DI Prato SpA (CARIPRATO)
- 329. Cassa DI Risparmio DI San Miniato SpA
- 330. Credito Valtellinese
- 331. Deutsche Bank SpA
- 332. Hypo Alpe-Adria-Bank SpA
- 333. Intesa San Paolo SpA (Formerly Banca Intesa SpA)
- 334. IW Bank SPA

- 335. UGF Banca
- 336. UniCredit Bank AG (UniCredito Italiano SpA)
- 337. Unipol Banca SpA

**Jamaica**

- 338. National Commercial Bank of Jamaica Ltd

**Japan**

- 339. 77 Bank Ltd
- 340. Aozora Bank Ltd
- 341. Australia & New Zealand Banking Group Ltd
- 342. AWA Bank Ltd
- 343. Bank of Kochi Ltd
- 344. Bank of Kyoto
- 345. Bank of Tokyo – Mitsubishi UFJ Ltd
- 346. Bank of Yokohama Ltd
- 347. Chiba Kogyo Bank Ltd
- 348. Chukyo Bank Ltd
- 349. Chuo Mitsui Trust and Banking Co. Ltd
- 350. Gunma Bank Limited
- 351. Higashi-Nippon Bank
- 352. Hokuriku Bank Ltd
- 353. Kinki Osaka Bank Ltd
- 354. Kiyoo Bank Ltd
- 355. Kyoto Shinkin Bank
- 356. Minato Bank Ltd (Formerly Midori Bank Ltd)
- 357. Mitsubishi Trust & Banking Co.
- 358. Mizuho Bank Ltd
- 359. Nishi Nippon City Bank Ltd
- 360. Okazaki Shinkin Bank
- 361. Osaka City Shinking Bank
- 362. Resona Bank
- 363. Saitama Resona Bank Ltd
- 364. SETO Shinkin Bank
- 365. Shiga Bank Ltd
- 366. Shinkin Central Bank
- 367. Shinsei Bank Ltd (Formerly Long Term Credit Bank of Japan)
- 368. Standard Chartered Bank
- 369. Sugamo Shinkin Bank
- 370. Sumitomo Mitsui Banking Corporation
- 371. The Asahi Shinkin Bank
- 372. The Ashikaga Bank Ltd
- 373. The Hokkaido Bank Limited
- 374. The Shikoku Bank Ltd
- 375. The Shizuoka Bank Ltd
- 376. The Yokohama Shinkin Bank
- 377. Tokushima Bank Ltd
- 378. Tokyo Tomin Bank Ltd
- 379. Tomato Bank Ltd
- 380. Towa Bank Ltd
- 381. Yamagata Bank Ltd
- 382. Yamaguchi Bank Ltd
- 383. Yamanashi Chuo Bank Ltd

**Jordan**

- 384. Arab Bank PLC
- 385. Arab Jordan Investment Bank
- 386. Bank AL Etihad

- 387. Bank Audi SAL Audi Saradar Group
- 388. Bank of Jordan PLC
- 389. Cairo Amman Bank
- 390. Housing Bank for Trade & Finance
- 391. InvestBank (JIF Bank) (Formerly Jordan Investbank & Finance Bank)
- 392. Islamic International Arab Bank Ltd
- 393. Jordan Ahli Bank PLC
- 394. Jordan Commercial Bank
- 395. Jordan Dubai Islamic Bank
- 396. Jordan Kuwait Bank

**Kazakhstan**

- 397. JSC Bank CenterCredit

**Kenya**

- 398. Barclays Bank of Kenya Ltd
- 399. Kenya Commercial Bank Ltd

**Korea**

- 400. CitiBank Korea Inc
- 401. KEB Hana Bank
- 402. Kookmin Bank
- 403. Korea Development Bank
- 404. Kyongnam Bank
- 405. Pusan Bank
- 406. The Kwangju Bank Ltd
- 407. Woori Bank

**Kuwait**

- 408. AL Ahli Bank of Kuwait
- 409. Bank of Kuwait & The Middle East Kuwait SAKP
- 411. Commercial Bank of Kuwait SAK
- 412. Gulf Bank
- 413. Kuwait International Bank
- 414. National Bank of Kuwait SAKP

**Kyrgyzstan**

- 415. Asia Universal Bank

**Latvia**

- 416. Parex Bank
- 417. Rietumu Bank
- 418. SEB Banka

**Lebanon**

- 419. Al Ahli International Bank SAL
- 420. Arab African International Bank
- 421. Arab Bank PLC (Lebanon Branches Centre) Beirut
- 422. Audi Private Bank SAL
- 423. Bank Audi SAL
- 424. Bank Bemo SAL
- 425. Bankmed SAL
- 426. Bank of Beirut SAL
- 427. Banque Libano Francaise
- 428. BBAC SAL
- 429. BLC Bank SAL
- 430. BLOM Bank SAL
- 431. Byblos Bank SAL

- 432. Credit Libanais SAL
- 433. First National Bank SAL
- 434. Fransbank SAL
- 435. IBL Bank
- 436. Jamal Trust Bank SAL
- 437. MEAB Bank (Middle East & African Bank SAL)
- 438. Near East Commercial Bank SAL
- 439. Societe Generale Banque AU Liban SAL
- 440. Societe Nouvelle DE LA Banque De Syrie ET DU Liban SAL

**Libya**

- 441. Gumhoria Bank
- 442. National Commercial Bank SAL
- 443. Umma Bank SAL
- 444. Wadha Bank

**Lithuania**

- 445. AB Bankas Hansa Bankas
- 446. AB Bankas Snoras
- 447. SEB Bank
- 448. UKIO Bank AS

**Macau**

- 449. Banco Weng Hang SA

**Madagascar**

- 450. Bank of Africa – Madagascar
- 451. Banque Centrale De Madagascar

**Malawi**

- 452. National Bank of Malawi

**Malaysia**

- 453. Alliance Bank Malaysia, Berhad
- 454. Ambank Berhad
- 455. Bank Islam Malaysia Berhad
- 456. CIMB Bank Berhad
- 457. EON Bank Berhad
- 458. Malayan Banking Berhad (MAYBANK)
- 459. OCBC (Malaysia) Berhad
- 460. Oversea-Chinese Banking Corporation Ltd (Kuala Lumpur)
- 461. Public Bank Berhad
- 462. RHB Bank Berhad
- 463. Royal Bank of Scotland
- 464. United Overseas Bank (Malaysia) Berhad

**Maldives**

- 465. Bank of Maldives PLC
- 466. Habib Bank Ltd

**Malta**

- 467. Bank of Valleta
- 468. FIM Bank PLC Ltd
- 469. HSBC Bank Malta PLC

**Mauritius**

- 470. State Bank of Mauritius Ltd
- 471. The Mauritius Commercial Bank Ltd

**Mexico**

- 472. Banco Nacional De Mexico SA
- 473. Banco Santander Mexicano SPA
- 474. BBVA Bancomer SA
- 475. HSBC Mexico SA

**Mongolia**

- 476. Trade & Development Bank of Mongolia

**Morocco**

- 477. Credit DU Marco SA

**Mozambique**

- 478. Banco Internacional de Mocambique SARL

**Namibia**

- 479. Bank Windhoek Ltd

**Nepal**

- 480. Himalayan Bank Ltd
- 481. Nepal Bank Ltd
- 482. Nepal Credit Commercial Bank
- 483. Standard Chartered Bank Nepal Ltd

**Netherlands**

- 484. ABN Ambro Bank – Royal Bank of Scotland
- 485. Cooperatieve Rabobank U.A. Netherlands
- 486. F Van Lanschot Bankiers NV
- 487. Hollandsche Bank – UNIE NV
- 488. ING Bank NV
- 489. SNS Bank NV
- 490. The Economy Bank NV
- 491. Yapi Ve Kredi Bankasi AS

**New Zealand**

- 492. ANZ Bank National Bank Ltd
- 493. ASB International Bank
- 494. Bank of New Zealand
- 495. Westpac Banking Corporation

**Nigeria**

- 496. First Bank of Nigeria PLC
- 497. Union Bank of Nigeria PLC

**Norway**

- 498. DNB NOR Bank ASA
- 499. Nordea Bank Norge AS
- 500. Sparebanken Hedmark
- 501. Sparebanken More
- 502. Sparebanken Nord Norge

**Oman**

- 503. Bank Dhofar SAOG
- 504. Bank Sohar SAOG
- 505. Bankmuscat SAOG
- 506. National Bank of Oman SAOG
- 507. Oman Arab Bank SAOG
- 508. Oman International Bank

**Pakistan**

- 509. Allied Bank of Pakistan
- 510. Askaribank Limited
- 511. Atlas Bank
- 512. Bank Al Habib Limited
- 513. BankIslami Pakistan Ltd
- 514. Bank of Khyber
- 515. Bank of Punjab
- 516. Dawood Islamic Bank Ltd
- 517. Dubai Islamic Bank Pakistan Ltd.
- 518. Faysal Bank Ltd
- 519. Habib Bank Ltd
- 520. Habib Metropolitan Bank Ltd
- 521. MCB Bank Ltd
- 522. Meezan Bank Ltd
- 523. Mybank Ltd
- 524. National Bank of Pakistan
- 525. Soneri Bank Ltd
- 526. Standard Chartered Bank (Pakistan) Ltd
- 527. United Bank Limited

**Palestinian Autonomous Area**

- 528. Arab Islamic Bank

**Papua New Guinea**

- 529. Westpac Banking Corporation

**Paraguay**

- 530. Banco Amambay SA

**Peru**

- 531. Banco DE Creditio DEL Peru

**Philippines**

- 532. Metropolitan Bank & Trust Co.
- 533. Philippine National Bank

**Poland**

- 534. Bank BGZ
- 535. Bank Gospodarstwa Krajowego
- 536. Bank Handlowy Warszawa SA
- 537. Bank Millennium SA
- 538. Bank Pekao SA
- 539. Kredyt Bank SA
- 540. PKO Bank Polski SA (Powszechna Kasa Oszczednosci Bank Polski SA)
- 541. Raiffeisen Bank Polska SA

**Portugal**

- 542. Banco BPI SA
- 543. Banco Espirito Santo SA
- 544. BNP-Banco Portugues DE Negocios SA
- 545. Finibanco SA
- 546. Millennium BCP

**Qatar**

- 547. Barwa Bank
- 548. Doha Bank
- 549. Qatar International Islamic Bank
- 550. Qatar Islamic Bank SAQ

**Romania**

- 551. Banca Comerciala Carpatica
- 552. Banca Commericla Romana SA
- 553. Banca Transilvania
- 554. BRD-Groupe Societe Generale SA
- 555. UniCredit Bank SA

**Russia**

- 556. Bank for Development & Foreign Economic Affairs
- 557. Bank Jugra
- 558. Bank of Moscow
- 559. B and N Bank (PJSC)
- 560. BIN Bank
- 561. International Moscow Bank
- 562. Khanty-Mansiysk Bank Otkritie (PJSC)
- 563. ROS Bank
- 564. Sberbank
- 565. Trans Credit Bank
- 566. Vnesheconombank
- 567. VTB-24 (PJSC) (Formerly JSC VTB Bank)

**Saudi Arabia**

- 568. Alawwal Bank
- 569. Al Rajhi Bank
- 570. Arab National Bank
- 571. Bank Al Bilad
- 572. Bank Al Jazira
- 573. Banque Saudi Fransi
- 574. National Commercial Bank Limited
- 575. Riyadh Bank
- 576. SAMBA Financial Group
- 577. Saudi British Bank

**Scotland**

- 578. Royal Bank of Scotland

**Serbia**

- 579. Banca Intesa AD Beograd
- 580. National Bank of Serbia

**Seychelles**

- 581. Seychelles International Mercantile Banking (NOUVOBNQ)

**Singapore**

- 582. ABN AMRO
- 583. Bank of India
- 584. DBS Bank Ltd
- 585. Dexia Banque Internationale A Luxembourg
- 586. Far Eastern Bank Limited
- 587. Indian Bank
- 588. Oversea-Chinese Banking Corporation Ltd
- 589. Skandinaviska Enskilda Banken AB
- 590. Standard Chartered Bank
- 591. State Bank of India
- 592. The Bank of East Asia Ltd

- 593. UCO Bank
- 594. Union DE Banques Arabes ET Francaises (UBAF)
- 595. United Overseas Bank Ltd
- 596. VTB Bank Europe PLC

**Slovakia**

- 597. Ceskoslovenska Obchodni Banka AS
- 598. Postova Bank AS
- 599. Slovenska Sporitelna AS
- 600. TARTA Bank AS
- 601. UniCredit Bank Slovakia AS
- 602. Vseobecna Uverova Bank AS

**Slovenia**

- 603. Abanka Vipa DD
- 604. Gorenjska Banka
- 605. Nova Kreditna Banka Maribor DD
- 606. Nova Ljubljanska Banka DD Ljubljana

**Solomon Islands**

- 607. National Bank of Solomon Islands

**Somalia**

- 608. Commercial & Savings Bank of Somalia

**South Africa**

- 609. ABSA Bank Ltd
- 610. FirstRand Bank Ltd
- 611. Nedcord Bank Ltd (NED Bank)
- 612. Standard Bank of South Africa Ltd
- 613. The Standard Chartered Bank of South Africa, Johannesburg

**Spain**

- 614. Banco Bilbao Vizcaya Argentaria SA
- 615. Banco DE Europa SA
- 616. Banco De Sabadell SA
- 617. Banco De Valencia
- 618. Banco Guipuzcoano SA
- 619. Banco Intercontinental Espanol (BANKINTER)
- 620. Banco Pastor SA
- 621. Banco Santander Central Hispano
- 622. Caixa'd Estalvis DE Catalunya
- 623. Caja DE Ahorrosy Pensiones DE Barcelona LA Caixa
- 624. Caja Madrid

**Sweden**

- 625. Nordbanken AB (PUBL)
- 626. SEB Merchant Banking
- 627. Skandinaviska Enskilda Banken AB (PUBL)
- 628. Svenska Handelsbanken AB (PUBL)
- 629. SWED Bank

**Switzerland**

- 630. Banque Cantonale DE Genève
- 631. Banque Cantonale Vandoise
- 632. Banque DE Commerce ET DE Placements
- 633. BNP Paribas (Sussie) SA
- 634. BSI SA
- 635. Credit Agricole (Sussie) SA
- 636. Credit Sussie
- 637. Faisal Private Bank (Switzerland) SA
- 638. Habib Bank AG, Zurich
- 639. Luzerner Kantonal Bank
- 640. UBS Switzerland AG
- 641. Zurcher Kantonalbank

**Taiwan**

- 642. Bank of Taiwan
- 643. CTBC Bank Co. Ltd
- 644. Chinfon Commercial Bank
- 645. E-Sun Commercial Bank Ltd
- 646. First Commercial Bank
- 647. HUA NAN Commercial Bank
- 648. Mega International Commercial Bank
- 649. Shanghi Commercial & Savings Bank Ltd
- 650. Shin Kong Bank
- 651. Taipei Fubon Commercial Bank
- 652. Taiwan Cooperative Bank
- 653. Union Bank of Taiwan

**Tanzania**

- 654. NBC Limited (National Bank of Commerce)

**Thailand**

- 655. Bangkok Bank Public Company Ltd
- 656. Bank of Ayudhya Public Company Ltd
- 657. Export Import Bank of Thailand
- 658. Kasikornabank Public Company Ltd
- 659. Krung Thai Bank Public Company Ltd
- 660. Siam City Bank Public Company Ltd
- 661. Siam Commercial Bank PCL
- 662. Standard Chartered Bank (THAI) Public Company Ltd
- 663. United Overseas Bank (Thai) Public Co. Ltd

**Tunisia**

- 664. Banque Nationale Agricole
- 665. Attijari Bank
- 666. Societe Tunisienne DE Banque

**Turkey**

- 667. AK Bank TAS
- 668. Anadolu Bank
- 669. Arab Turkish Bank
- 670. ASYA Katilim Bankasi AS
- 671. EURO Tekfen AS
- 672. ING Bank AS
- 673. Kuvoyt Turk Katilim Bankasi AS
- 674. Tekstil Bankasi AS
- 675. Turk Ekonomi Bankasi
- 676. Turkiye Finance Katilinyu Bankasi AS
- 677. Turkiye Halk Bankasi AS
- 678. Turkiye Garanti Bankasi AS
- 679. Turkiye IS Bankasi AS
- 680. Turkiye Vakiflar Bankasi TAO
- 681. Turkland Bank – T Bank
- 682. Yapi VE Kredi Bankasi AS

**United Arab Emirates (UAE)**

- 683. Abu Dhabi Commercial Bank
- 684. Abu Dhabi Islamic Bank
- 685. Arab Bank for Investment & Foreign Trade
- 686. Commercial Bank International PLC
- 687. Commercial Bank of Dubai PSC
- 688. Dubai Islamic Bank PLC
- 689. Emirates NBD PJSC
- 690. First Gulf Bank
- 691. Mashreqbank PSC
- 692. Middle East Bank PJSC
- 693. National Bank of Abu Dhabi
- 694. National Bank of Fujirah
- 695. Noor Bank
- 696. Union National Bank
- 697. United Arab Bank

**Uganda**

- 698. Barclays Bank of Uganda Ltd

**United Kingdom (UK)**

- 699. AIB Group
- 700. Barclays Bank PLC
- 701. Clydesdale Bank PLC
- 702. Gulf International Bank (UK) Limited
- 703. Habib Bank AG Zurich
- 704. Habibsons Bank Ltd
- 705. HSBC Bank PLC
- 706. Investec Bank (UK) Ltd
- 707. ICBC Standard Bank PLC
- 708. Lloyds TSB Bank PLC
- 709. National Westminster Bank PLC
- 710. Royal Bank of Scotland PLC
- 711. Standard Chartered Bank

**Ukraine**

- 712. Calyon Bank
- 713. First Ukrainian International Bank PJSC
- 714. OTP Bank – Public Joint Stock Company
- 715. PJSC – ALFA Bank
- 716. Prominvest Bank
- 717. UKREXIMBANK (State Export-Import Bank of Ukraine)

**Uruguay**

- 718. The Banco DE LA Republic Oriental Del Uruguay

**United States of America (USA)**

- 719. American Express Bank Ltd
- 720. Banco Del Pichincha CA
- 721. Bank of America NA
- 722. The Bank of New York Mellon
- 723. Bank of TAMPA
- 724. Branch Banking & Trust Co.
- 725. Brown Brothers Harriman & Co.
- 726. CITIBANK NA
- 727. COBank ACB
- 728. Commerce Bank NA
- 729. Deutsche Bank Trust Company Americas
- 730. First Hawian Bank
- 731. French American Banking Corp
- 732. Habib American Bank
- 733. Hibernia National Bank
- 734. HSBC Bank USA
- 735. Huntington National Bank
- 736. Israel Discount Bank of New York
- 737. JP Morgan Chase Bank
- 738. LA Salle Bank Midwest
- 739. M & T Bank (Formerly Allfirst Bank)
- 740. National City Bank of Indiana
- 741. National Penn Bank
- 742. Northern Trust Company
- 743. PNC Bank NA
- 744. SAN Diego National Bank
- 745. Silicon Valley Bank
- 746. Sovereign Bank
- 747. Standard Chartered Bank
- 748. State Street Bank & Trust Co.
- 749. Sun Trust Bank Ltd
- 750. UMB Bank NA
- 751. Union Bank of California NA
- 752. US Bank NA
- 753. Wells Fargo Bank NA

**Vietnam**

- 754. Bank For Foreign Trade of Vietnam
- 755. Bank For Investment & Development of Vietnam

**Yemen**

- 756. National Bank of Yemen
- 757. Yemen Bank for Reconstruction & Development
- 758. Yemen Commercial Bank
- 759. Yemen Kuwait Bank
- 760. International Bank of Yemen YSC

**Zambia**

- 761. Barclays Bank of Zambia Ltd

**Zimbabwe**

- 762. Barclays Bank of Zimbabwe Limited

## Exchange Companies by Country

### Australia

1. Cash Plus Forex Pty Ltd
2. Ceylon Exchange Pty Ltd
3. Kapruka Pty Ltd
4. Serendib Financial Pty Ltd

### Bahrain

5. Bahrain Financing Co.
6. Ezremit Ltd
7. National Finance & Exchange Co.WLL
8. Zenj Exchange Co.
9. Zenj Exchange Co. WLL (Turbo Cash)

### Cyprus

10. Masari Payment Services Ltd

### France

11. Tempo France

### Greece

12. International Express Remittance Services S.A. (IERS)

### Hong Kong

13. Orient Exchange Co.(Hk) Ltd

### Israel

14. Tifco Logistics & Trade Ltd

### Italy

15. Valutrans SpA

### Japan

16. Japan Remit Finance Co. Ltd
17. Unidos Co. Ltd

### Jordan

18. Alwaneh Exchange Co.
19. Shift Financial Services Ltd

### Kuwait

20. Al Mulla International Exchange Co. WLL
21. Al Muzaini Exchange Co. Ksc (Closed)
22. Al Nada International Exchange Co.WLL
23. Aman Exchange Co. WLL
24. Bahrain Exchange Co. WLL
25. City International Exchange Co. WLL
26. Dollarco Exchange Co. Ltd
27. Etemadco Exchange Co. WLL
28. International Financial Line Co.
29. Joyalukkas Exchange Co. WLL
30. Kuwait Asian International Exchange Co. WLL
31. Kuwait Bahrain International Exchange Co.
32. Kuwait India International Exchange Co.
33. National Exchange Co. WLL
34. National Money Exchange Co. WLL
35. Oman Exchange Co. Ltd
36. UAE Exchange Centre WLL

### Lebanon

37. Services Exchange Co.

### Malaysia

38. Merchantrade Asia SDN BHD

### Oman

39. Asia Express Exchange
40. Gulf Overseas Exchange Co. LLC
41. Hamdan Exchange
42. Majan Exchange LLC
43. Modern Exchange Co. LLC
44. Musandam Exchange
45. Mustafa Sultan Exchange Co. LLC
46. Oman & UAE Exchange Centre Co. LLC
47. Oman International Exchange LLC
48. Oman United Exchange Co. LLC
49. Purshottam Kanji Exchange Co. LLC

### Qatar

50. Al Dar for Exchange Works
51. Al Fardan Exchange Co. WLL
52. Al Mana Exchange WLL
53. Al Sadd Exchange
54. Al Zaman Exchange WLL
55. Al Mirqab Exchange Co.
56. Arabian Exchange Company WLL
57. City Exchange Co. WLL
58. Eastern Exchange EST
59. Gulf Exchange Company
60. Habib Qatar International Exchange Ltd
61. Islamic Exchange
62. National Exchange Co. WLL

### Singapore

63. HBZ International Exchange Co. (Singapore) Pvt Ltd
64. Mustafa Foreign Exchange

### Switzerland

65. Motherhouse GMBH

### United Arab Emirates (UAE)

66. Al Ahalia Money Exchange Bureau
67. Al Ansari Exchange EST
68. Al Fardan Exchange
69. Al Mona Exchange Co. LLC
70. Al Rostamani International Exchange
71. Delma Exchange
72. Dubai Exchange Centre LLC
73. Emirates India International Exchange Co.
74. Hadi Express Exchange
75. Index Exchange Co. LLC
76. Joyalukkas Exchange
77. Lari Exchange Establishment
78. Lulu International Exchange LLC
79. National Exchange Co.
80. Orient Exchange Co. LLC
81. Redha Al Ansari Exchange Est.
82. UAE Exchange Centre
83. Wall Street Exchange Centre
84. Xpress Money Services Ltd
85. Zareen Exchange

### United Kingdom (UK)

86. 3R Telecom Ltd
87. An Express Ltd
88. Currency Exchange Corporation
89. Global Exchange Ltd
90. INTL Fc Stone Ltd (IFL)
91. Sigue Global Services Ltd
92. World Remit Ltd

### United States of America (USA)

93. Moneygram INC
94. Prabhu Group INC
95. RIA Financial Services (Continental Exchange Solutions INC)
96. Trans-Fast Remittance LLC

# Glossary of Financial/Banking Terms

## A

### Acceptances

Promise to pay created when the drawee of a time draft stamps or writes the word 'accepted' above his signature and a designated payment date.

### Accounting Policies

The specific principles, bases, conventions, rules and practices adopted by an entity in preparing and presenting financial statements.

### Accrual Basis

To recognise the effects of transactions and other events as they occur, without waiting for the receipt or payment of related cash or its equivalent.

### Actuarial Assumptions

An entity's unbiased and mutually compatible best estimates of the demographic and financial variables that will determine the ultimate cost of providing post-employment benefits.

### Actuarial Gains and Losses

Actuarial gains and losses comprise the effects of differences between the previous actuarial assumptions and what has actually occurred and the effects of changes in actuarial assumptions.

### Actuarial Present Value of Promised Retirement Benefits

The present value of the expected payments by a retirement benefit plan to existing and past employees, attributable to the service already rendered.

### Actuarial Valuation

Fund value determined by computing its normal cost, actuarial accrued liability, actuarial value of its assets, and other relevant costs and values.

### Amortisation

The systematic allocation of the depreciable amount of an asset over its useful life. In the case of an intangible asset or goodwill, the term 'amortisation' is generally used instead of 'depreciation'. Both terms have the same meaning.

### Amortised Cost

The amount at which a financial asset or liability is measured at initial recognition, minus any repayment of principal, minus any reduction for impairment or uncollectibility, and plus or minus the cumulative amortisation using the effective interest method of the difference between that initial amount and maturity amount.

### Anti-Money Laundering (AML)

A set of procedures, laws or regulations designed to prevent money laundering. Money laundering is an activity which aims to disguise the ownership of money that has an illegal origin such as trading of drugs, organised crimes, fraud and terrorism.

### Associate Company

A company other than a Subsidiary in which a holding company has a participating interest and exercises a significant influence over its operating and financial policies.

### Attrition Rate

A measure of how many employees leave over a certain period of time.

### Average Weighted Deposit Rate (AWDR)

AWDR is calculated by the Central Bank monthly 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 of Sri Lanka weekly based on commercial banks lending rates offered to their prime customers during the week.

## B

### Basis Points

A unit that is equal to 1/100 th of 1%. Often used in quotation of spreads between interest rates or to change in yield in securities.

### Bills of Exchange

A signed, written unconditional order addressed by one person (the drawer) directing another person (the drawee) to pay a specified sum of money to the order of a third person (the payee). The terms bills of exchange and drafts are often used interchangeably.

## C

### Capital Adequacy Ratio (CAR)

The ratio between capital and risk weighted assets, as defined under the framework of risk based capital standards developed by the Bank for International Settlements (BIS) and as modified to suit local requirements by Central Bank of Sri Lanka.

### Cash Equivalents

Investments/assets that are readily convertible to cash, subject only to an insignificant risk of change in their value.

### Collectively-Assessed Loan Impairment Provisions

Impairment assessment which carried out on a collective basis for homogeneous groups of loans that are not considered individually significant, in order to cover losses that has been incurred but has not yet been identified at the Reporting date.

### Compound Annual Growth Rate (CAGR)

The year over year growth rate over a specified period of time.

### Contractual Maturity

Contractual maturity refers to the final payment date of a loan or other financial instrument, at which point all the remaining outstanding principal will be repaid and interest is due to be paid.

### Corporate Governance

The process by which corporations are directed and controlled. It is concerned with the rights and responsibilities among stakeholders used to determine and control the strategic directions and performance of the corporation.

### Cost/Income Ratio

Operating expenses excluding impairment charge for loans and other losses, as a percentage of total operating income.

### Country Risk

The credit risk associated with lending to borrowers within a particular country, sometimes taken to include sovereign risk.

### Credit Risk

The risk of loss due to non-payment of a loan or other line of credit (either the principal or interest or both), by the borrower or a counterparty.

### Credit Ratings

An evaluation of a corporate's ability to repay its obligations or the likelihood of not defaulting carried out by an independent rating agency.

## D

### Dealing Securities

Securities acquired and held with the intention of reselling them in the short-term.

### Debt Equity Ratio

Long-term borrowings divided by shareholder's equity.

### Deferred Taxation

Sum set aside for tax in the financial statements that will 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.

### Defined Benefit Plans

Retirement benefit plans under which amounts to be paid as retirement benefits are determined by reference to a formula usually based on employees' earning history, tenure of service and age.

### Derivatives

A financial instrument, the price of which has a strong relationship with an underlying commodity, currency variable or financial instrument.

**Documentary Letters of Credit (LC)**

Written undertakings by a bank on behalf of its customers (typically an importer), authorising a third party (eg. an exporter) to draw drafts on the Bank up to a stipulated amount under specific terms and conditions. Such undertakings are established for the purpose of facilitating international trade.

**E Equity Method**

A method of accounting whereby the investment is initially recorded at cost and adjusted thereafter for the post-acquisition change in the investor's share of net assets of the invested. The income statement reflects the investor's share of the results of operations of the invested.

**Events After the Reporting Date**

Events after the Reporting date are those events, both favourable and unfavourable, that occur between the Reporting date and the date when the financial statements are authorised for issue.

**Exchange Company/House**

An overseas location where the Bank's representatives provide banking services as a promotional tool.

**F Fair Value**

The price that would be required to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

**Finance Lease**

Leases which transfer risks and rewards of ownership. Title may or may not eventually be transferred.

**Financing Activities**

Activities that result in changes in the size and composition of the equity capital and borrowings of the entity.

**Financial Instruments**

Financial instrument is any contract that gives rise to financial asset of one entity and a financial liability or equity instrument of another entity.

**Financial Instruments Held for Trading**

Financial asset or financial liability that is held for trading or upon initial recognition designated by the entity as at fair value through profit or loss.

**Financial Investments Available for Sale**

All non-derivative financial assets that are not in any of the following three categories; loans and receivables, held to maturity of financial instruments and held for trading.

**Financial Investments Held to Maturity**

Held to maturity financial investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity.

**Financial Investments Loans and Receivables**

Non-derivative financial assets with fixed or determinable payments which are not quoted in an active market.

**Foreclosed Properties**

Properties acquired in full or partial settlement of debts, which will be held with the intention of resale at the earliest opportunity.

**Foreign Exchange Income**

The 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 Contracts**

Agreements between two parties to exchange one currency for another at a future date at a rate agreed upon today.

**G Global Reporting Initiatives (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.

**Gross Domestic Product (GDP)**

The value of all goods and services produced domestically in an economy during a specified period, usually a year. Nominal GDP, adjusted for inflation, gives GDP in real terms.

**Guarantees**

Primarily represent irrevocable assurances that a bank will make payments in the event that its customer is unable to perform its financial obligations to third parties. Certain other guarantees represent non-financial undertakings such as bid and performance bonds.

**H Historical Cost Convention**

Recording transactions at the actual value received or paid.

**I Impairment**

This occurs when recoverable amount of an asset is less than its carrying amount.

**Individually Significant Loan Impairment Provisions**

Impairment measured individually for loans that are individually significant to the Group.

**Intangible Asset**

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.

**Interest Margin**

Net interest income as a percentage of average interest earning assets.

**Interest Spread**

Represents the difference between the average interest rate earned on interest earning assets and the average interest rate incurred on interest bearing liabilities.

**Investment Securities**

Securities acquired and held for yield or capital growth purposes and usually held to maturity.

**K Key Management Personnel**

Those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly.

**Key Performance Indicators (KPI)**

KPIs are quantifiable measures that a company uses to gauge its performance over time.

**L 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, treasury bills.

**Liquid Assets Ratio**

Liquid assets expressed as a percentage of total liabilities other than shareholders' funds.

**Loss Given Default (LGD)**

LGD is the percentage of an exposure that a lender expects to lose in the event of default.

**M Mark to Market**

The practice of periodically revaluing marketable securities to their current market value.

**Materiality**

The relative significance of a transaction or an event the omission or misstatement of which could influence the economic decisions of users of financial statements.

**Minority Interest**

That portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned, directly or indirectly through Subsidiaries, by the Parent.

**Mortality Rate**

A measure of the number of deaths in some population, scaled to the size of that population, per unit time.

**N****Net Asset Value Per Share**

Shareholders' equity divided by the number of ordinary shares in issue.

**Net Interest Income**

The difference between what the Bank earns as interest on assets such as loans and securities and what it pays as interest on liabilities such as deposits, refinance funds and interbank borrowings.

**Net Realisable Value**

The estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

**Nostro Account**

A nostro account is a bank account held in a foreign country by a domestic bank, denominated in the currency of that country.

**O****Off Balance Sheet Transactions**

Transactions not recognised as assets or liabilities in the balance sheet but which give rise to contingencies and commitments.

**Operating Activities**

The principal revenue producing activities of an entity and other activities that are not investing or financing activities.

**P****Plan Assets of an Employee Benefit Plan**

Assets held by a long-term employee benefit fund.

**Price Value Per Basic Point (PVBP)**

Estimated change in the value of portfolio due to one basic point change in interest rate.

**Primary Dealer Special Risk Reserve**

Reserve maintained in order to strengthen capital base further with development of capital market.

**Probability of Default (PD)**

PD is a financial term describing the likelihood of a default over a particular time horizon. It provides an estimate of the likelihood that a borrower will be unable to meet its debt obligations.

**Projected Unit Credit Method**

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.

**Property, Plant and Equipment (PPE)**

Tangible assets that:

- (a) are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and
- (b) are expected to be used during more than one period.

**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****Redemption**

Repayment of principal monies.

**Related Parties**

Two parties where one controls the other or exercise significant influence in financial and operating decisions, directly or indirectly.

**Repurchase Agreement**

Contracts relating to securities sold to creditors (who lend money for funding purposes), with the intention of buying them back at a set price on a specified future date.

**Return On Average Assets (ROAA)**

Profit before tax expressed as a percentage of average total assets. Used along with ROAE, as a measure of profitability and as a basis of intra industry performance comparison.

**Return On Average Equity (ROAE)**

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.

**Risk-Weighted Assets**

On balance sheet assets and the credit equivalent of off balance sheet assets multiplied by the relevant risk weighting factors.

**S****Securities Purchased Under Resale Agreement**

The purchase of securities under an agreement to resell at a given price on a specific future date.

**Shareholders' Equity**

Shareholders' equity consists of issued and fully paid ordinary share capital plus capital and revenue reserves.

**Significant Influence**

Significant influence is the power to participate in the financial and operating policy decisions of an investee but is not controlled or jointly controlled over those policies.

**Solvency**

The availability of cash over the long-term to meet financial commitments as they fall due.

**Subordinated Debenture**

The claims of the debenture holders shall in the event of winding up, rank after all the claims of the secured and unsecured creditors and any preferential claims under any statutes, but in priority to and over claims and rights of the shareholders.

**Swaps**

The simultaneous purchase and sale of foreign exchange or securities, with the purchase executed at once and the sale back to the same party. Carried out on an agreed upon price to be completed at a specified future date. Swaps include interest rate swaps, currency swaps and credit swaps.

**Syndicated Loan**

A large loan by a group of banks to a large multinational firm or government. Syndicated loans allow the participating banks to maintain diversification by not lending too much to a single borrower.

**T****Tier I Capital**

Consists of the sum total of paid up ordinary shares, non-cumulative, non-redeemable preference shares, share premium, statutory reserve fund, published retained profits, general and other reserves, less intangible assets and other deductions.

**Tier II Capital**

Consists of the sum total of revaluation reserves, general provisions, hybrid capital instruments and approved subordinated debentures.

**Total Capital**

The sum of Tier I and Tier II capital.

**U****Unit Trust**

An undertaking formed to invest in securities under the terms of a trust deed.

**Unsecured**

Repayment of the principal and interest not being secured by any specific asset.

**V****Value at Risk (VaR)**

Estimated maximum loss that the Bank may incur in a given horizon at 99% confidence level.

**Vostro Account**

A local currency current account maintained with a bank by another bank.



# Corporate Offices and Overseas Branches

## Corporate Office

### BoC Card Centre

Issuing and managing VISA and Master branded Credit Cards. Franchising and servicing merchants using point of sales machines  
Level – 1, West Tower, World Trade Centre Echelon Square,  
Colombo 1, Sri Lanka

Tel : +94 11 2445799, 2325088, 2395806, 2205600, 2205620, 2205680  
Fax : +94 11 2325099, 2325092, 2395807  
Email : agmccc@boc.lk/cmcardrec@boc.lk/cmccc@boc.lk  
Branch Code : 731

### BoC Premier Centre

Dedicated Centre for Private Banking  
21, Sir Ernest De Silva Mawatha, Colombo 7,  
Sri Lanka

Tel : +94 11 2694282 – 86  
Fax : +94 11 2694280  
Email : pbc@boc.lk  
Branch Code : 788

### Correspondent Banking Unit

Gateway to global banking and financial relationships

9th Floor, Bank of Ceylon Head Office, 'BOC Square'  
No. 1, Bank of Ceylon Mawatha,  
Colombo 1, Sri Lanka

Tel : +94 11 2445791  
Fax : +94 11 2445791  
Email : corresbd@boc.lk/cbd@boc.lk/cmcbd@boc.lk  
Branch Code : 087

### Credit Support Department

Issuing of local and international guarantees and documentation of credit facilities

3rd Floor, Bank of Ceylon Head Office 'BOC Square'  
No. 1, Bank of Ceylon Mawatha,  
Colombo 1, Sri Lanka

Tel : +94 11 2541943  
Fax : +94 11 2446820  
Email : corpcrsupport@boc.lk crsupport@boc.lk  
Branch Code : 660

### Dealing Room

Providing money market and foreign exchange-related services

7th Floor, Bank of Ceylon Head Office, 'BOC Square'  
No. 1, Bank of Ceylon Mawatha,  
Colombo 1, Sri Lanka

Tel : +94 11 2445785-7, 2386862  
Fax : +94 11 2445788  
Email : chiefdealer@boc.lk  
Branch Code : 760

### Electronic Banking Unit

Management of ATM card operations, facilitator for internet and mobile banking

21st Floor, Bank of Ceylon Head Office, 'BOC Square'  
No. 1, Bank of Ceylon Mawatha,  
Colombo 1, Sri Lanka

Tel : +94 11 2204650-63  
Fax : +94 11 2447569  
Email : cmebu@boc.lk, debitcard@boc.lk, ebank@boc.lk  
Branch Code : 777

### Cey Bank Gold Shop

Supplier of precious gold to the nation

Ground Floor, Bank of Ceylon Head Office, 'BOC Square'  
No. 1, Bank of Ceylon Mawatha,  
Colombo 1, Sri Lanka

Tel : +94 11 2345420  
Fax : +94 11 2345420  
Email : goldshop@boc.lk  
Branch Code : 087

### Inward Remittances Department

Facilitator in processing inward remittances to Sri Lanka

8th Floor, Bank of Ceylon Head Office, 'BOC Square'  
No. 1, Bank of Ceylon Mawatha,  
Colombo 1, Sri Lanka

Tel : +94 11 2445792, 2541933  
Fax : +94 11 2344845  
Email : irdept@boc.lk  
Branch Code : 087

### Islamic Banking Unit

Brand house for all Islamic Banking products and services

25th Floor, Bank of Ceylon Head Office, 'BOC Square'  
No. 1, Bank of Ceylon Mawatha,  
Colombo 1, Sri Lanka

Tel : +94 11 2205030  
Fax : +94 11 2445811  
Email : ibu@boc.lk  
Branch Code : 776

### Primary Dealer Unit

Buying and selling of Government securities

7th Floor, Bank of Ceylon Head Office, 'BOC Square'  
No. 1, Bank of Ceylon Mawatha,  
Colombo 1, Sri Lanka

Tel : +94 11 2448830, 2203607  
Fax : +94 11 2448207  
Email : pdu@boc.lk  
Branch Code : 760

### Trade Promotion Department

Service provider for migrant employee community

7th Floor, Bank of Ceylon Head Office, 'BOC Square'  
No. 1, Bank of Ceylon Mawatha,  
Colombo 1, Sri Lanka

Tel : +94 11 2447831, 2203626  
Fax : +94 11 2346841  
Email : inttrade@boc.lk  
Branch Code : 087

### Trade Services Department

Providing trade finance facilities and advisory services

2nd Floor, Bank of Ceylon Head Office, 'BOC Square'  
No. 1, Bank of Ceylon Mawatha,  
Colombo 1, Sri Lanka

Tel +94 11 2394310, 2203310  
Fax : +94 11 2542170  
Email: agmtradefinance@boc.lk  
Branch Code : 660

### Overseas Branches

#### Malé Branch

'Aage' 12, Boduthakurufaana Magu,  
Henvairu, Malé. 20094,  
Republic of Maldives

Tel : +960 3323045, 3314764  
Email : bcmale@dhivehinet.net.mv  
SWIFT code : BCEYMVMV  
Branch code : 632

#### Chennai Branch

No. 2, Off Casa Major Road,  
Zerat Garden, 2 Lane,  
Egmore, Chennai 600 008, India

Tel : +91 44 2819 0972, 3951 9913  
Email : ceybank@vsnl.com  
SWIFT code : BCEYIN5M  
Branch code : 758

#### Seychelles Branch

Oliaji Building,  
Fransis Rachel Street,  
P.O. Box 1599,  
Victoria, Mahe,  
Republic of Seychelles

Tel : +248 461 1880, 461 1889  
Email : boc807@boc.lk  
SWIFT Code : BCEYSCSC  
Branch Code : 807



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# Corporate Information

## Name of the Institution

Bank of Ceylon

## Legal Form

- A banking corporation domiciled in Sri Lanka, duly incorporated on 1 August 1939 under the Bank of Ceylon Ordinance No. 53 of 1938.
- A licensed commercial bank established under the Banking Act No. 30 of 1988.

## Registered Office

'BOC Square'  
No. 01, Bank of Ceylon Mawatha,  
Colombo 01, Sri Lanka  
Tel : +94 11 2203333 (Hotline)  
+94 11 2446790-811 (22 lines)  
+94 11 2338741-47 (7 lines)  
+94 11 2445815-20 (6 lines)  
+94 11 2544340-44 (5 lines)  
+94 11 2544333-37 (5 lines)  
Facsimile : +94 11 2321160  
Bank : 7010  
SWIFT Code : BCEYLKX  
E-Mail : boc@boc.lk, customercare@boc.lk  
Website : www.boc.lk

## Call Centre

Tel : +94 11 2204444  
Facsimile : +94 11 2320864

## 24 Hour Service Centre

Travel Counter, Ground Floor  
Bank of Ceylon Head Office  
'BOC Square'  
No. 01, Bank of Ceylon Mawatha,  
Colombo 01, Sri Lanka  
Tel : +94 11 2203044/45  
Facsimile : +94 11 2445801

## Accounting Year End

31 December

## Tax Payer Identification Number (TIN)

409000070

## VAT Registration Number

409000070-7000

## SVAT Registration Number

SVAT002898

## Stock Exchange Listing

The Unsecured, Subordinated Redeemable Debentures of November 2012/November 2017 series, October 2013/October 2023 series, September 2014/September 2022 series, October 2015 /October 2023 series and December 2016/December 2024 series with fixed and floating interest rates are listed on Colombo Stock Exchange.

The USD senior notes of May 2012/May 2017 and April 2013/April 2018 with fixed rates are listed on Singapore Stock Exchange.

## Local Ratings

- National Long-term rating: 'AA+(lka)' Outlook Stable
- Subordinated debentures: 'AA(lka)' by Fitch Ratings Lanka Limited
- Issuer rating: (SL) AAA Stable by ICRA Lanka Limited

## Global Ratings

'B+' stable by Fitch Ratings and 'B 1' negative by Moody's Investors Service

## Lawyers

Ms Gaya Jayasinghe  
Chief Legal Officer of Bank of Ceylon and her assistants  
Tel : +94 11 2445813  
+94 11 2321167  
E-mail : clo@boc.lk

## Compliance Officer

Mr A De S Pinnaduwege  
(Assistant General Manager – Compliance)  
Tel : +94 11 2448532  
Facsimile : +94 11 2544306  
E-mail : agmcmpi@boc.lk

## Auditor

The Auditor General  
The Auditor General's Department  
306/72, Polduwa Road,  
Battaramulla, Sri Lanka  
Tel : +94 11 2887028-34 (6 lines)  
Facsimile : +94 11 2887223  
E-mail : oaggov@sltnet.lk

(Appointed in terms of the provisions of Article 154 of the Constitution of the Democratic Socialist Republic of Sri Lanka)

## Registrars to the Debenture Issues

Bank of Ceylon Investment Banking Division  
7th Floor, Bank of Ceylon Head Office  
'BOC Square'  
No. 01, Bank of Ceylon Mawatha,  
Colombo 01, Sri Lanka  
Tel : +94 11 2448348  
+94 11 2440081  
+94 11 2346845  
Facsimile : +94 11 2346842  
E-mail : investment@boc.lk

## Registrars to the USD Senior Notes

Citigroup Global Markets Deutschland AG  
Reuterweg  
1660323  
Frankfurt, Germany  
Tel : +49 69 1366 2216  
E-mail : dirk.loscher@citi.com

The Bank of New York Mellon (Luxembourg) S.A.  
Vertigo Building, Polaris  
2-4 rue Eugene ruppert, L-2453  
Luxembourg  
Tel : +352 24 524 1

## Board of Directors

Mr Ronald C Perera PC (Chairman)  
Mr Sajith R Attygalle  
Mr Ranel T Wijesinha  
Mr Charitha N Wijewardane  
Mr Sanjaya Padmaperuma  
Mr H P Ajith Gunawardana

## Secretary, Bank of Ceylon/ Secretary to the Board

Ms Janaki Senanayake Siriwardane

## For Clarifications on the Report, Please Contact

Deputy General Manager (Finance and Planning)  
10th Floor, Bank of Ceylon Head Office  
'BOC Square'  
No. 01, Bank of Ceylon Mawatha,  
Colombo 01, Sri Lanka  
Tel : +94 11 2432680  
+94 11 2203900  
Facsimile : +94 11 2448203  
E-Mail : dgmfp@boc.lk

## Audit Committee

Mr Ranel T Wijesinha (Chairman)  
Mr Sajith R Attygalle  
Mr Charitha N Wijewardane  
Mr Sanjaya Padmaperuma

## Human Resources and Remuneration Committee


Mr H P Ajith Gunawardana (Chairman)  
Mr Ronald C Perera PC  
Mr Sajith R Attygalle  
Mr Charitha N Wijewardane

## Nomination and Corporate Governance Committee

Mr Ronald C Perera PC (Chairman)  
Mr Sanjaya Padmaperuma  
Mr H P Ajith Gunawardana

## Integrated Risk Management Committee

Mr Charitha N Wijewardane (Chairman)  
Mr Sanjaya Padmaperuma  
Mr H P Ajith Gunawardana

BANK OF CEYLON  
  
Bankers to the Nation  
BOC Square  
No. 01, Bank of Ceylon Mawatha  
Colombo 01  
Sri Lanka