

BANK OF CEYLON

INTERIM FINANCIAL STATEMENTS (Audited)

**For the year ended
31st December 2010**



INCOME STATEMENT

Rs ' 000

	Bank						Group					
	For the year ended			For the quarter ended			For the year ended			For the quarter ended		
	31-Dec-2010	31-Dec-2009	Growth %	31-Dec-2010	31-Dec-2009	Growth %	31-Dec-2010	31-Dec-2009	Growth %	31-Dec-2010	31-Dec-2009	Growth %
Total revenue	63,362,866	63,461,366	(0.2)	17,609,731	16,113,105	9.3	66,866,790	66,128,194	1.1	18,609,651	17,048,546	9.2
Interest income	50,853,347	53,076,779	(4.2)	14,273,062	13,707,886	4.1	53,062,286	55,279,046	(4.0)	14,880,732	14,329,303	3.8
Interest income on loans and advances	35,238,592	37,139,016	(5.1)	9,124,179	8,933,352	2.1	37,267,765	39,007,777	(4.5)	9,689,680	9,499,624	2.0
Interest income on other interest earning assets	15,614,755	15,937,763	(2.0)	5,148,883	4,774,534	7.8	15,794,521	16,271,269	(2.9)	5,191,052	4,829,479	7.5
Less: Interest expenses	31,205,160	38,266,874	(18.5)	8,205,616	9,256,879	(11.4)	32,019,161	39,489,821	(18.9)	8,408,735	9,557,165	(12.0)
Interest expense on deposits	22,073,580	26,406,994	(16.4)	5,676,971	6,552,239	(13.4)	22,452,332	27,061,880	(17.0)	5,813,365	6,852,544	(15.2)
Interest expense on other interest bearing liabilities	9,131,580	11,859,880	(23.0)	2,528,645	2,704,640	(6.5)	9,566,829	12,427,941	(23.0)	2,595,370	2,704,621	(4.0)
Net interest income	19,648,187	14,809,905	32.7	6,067,446	4,451,007	36.3	21,043,125	15,789,225	33.3	6,471,997	4,772,138	35.6
Non - interest income	11,141,566	8,884,455	25.4	2,609,258	1,699,734	53.5	12,197,067	9,212,290	32.4	2,902,591	1,889,986	53.6
Foreign exchange income	408,686	1,566,916	(73.9)	397,110	90,434	339.1	418,461	1,566,916	(73.3)	401,455	90,434	343.9
Other income	10,732,880	7,317,539	46.7	2,212,148	1,609,300	37.5	11,778,606	7,645,374	54.1	2,501,136	1,799,552	39.0
Net income	30,789,753	23,694,360	29.9	8,676,704	6,150,741	41.1	33,240,192	25,001,515	33.0	9,374,588	6,662,125	40.7
Less: Non - interest expenses	16,543,990	16,190,315	2.2	4,363,605	4,633,888	(5.8)	17,912,229	16,996,129	5.4	4,895,184	5,066,887	(3.4)
Personnel costs	8,044,072	8,107,775	(0.8)	1,973,871	2,082,145	(5.2)	8,731,783	8,572,330	1.9	2,224,176	2,268,491	(2.0)
Contribution for staff retirement benefits	2,266,119	2,409,631	(6.0)	612,157	802,317	(23.7)	2,299,079	2,427,467	(5.3)	630,712	810,784	(22.2)
Premises, equipment and establishment expenses	2,803,372	2,492,448	12.5	757,415	751,984	0.7	2,683,065	2,301,871	17.0	729,262	739,072	(1.3)
Loss on trading/ investment securities	-	-	-	-	-	-	-	-	-	-	-	-
Amortization of intangible assets	54,873	185,473	(70.4)	(62,127)	7,992	(877.4)	58,895	189,377	(68.9)	(60,030)	11,896	(604.6)
Other operating expenses	3,375,554	2,994,988	12.7	1,082,289	989,450	9.4	4,129,407	3,505,084	17.8	1,371,064	1,236,644	10.9
Less: Provision for bad and doubtful debts and loans written off	191,941	301,573	(36.4)	(768,108)	(665,389)	15.4	331,458	388,772	(14.7)	(716,943)	(702,544)	2.0
Provisions - general	488,016	(1,012)	(48,322.9)	(432,156)	(378,814)	14.1	523,859	(43,440)	(1,305.9)	(421,530)	(484,925)	(13.1)
Provisions - specific	1,071,878	1,802,717	(40.5)	391,459	418,910	(6.6)	1,202,138	1,938,417	(38.0)	455,069	488,909	(6.9)
Recoveries (-)	(1,367,953)	(1,500,132)	(8.8)	(727,411)	(705,485)	3.1	(1,394,539)	(1,506,205)	(7.4)	(750,482)	(706,528)	6.2
Loans written off	-	-	-	-	-	-	-	-	-	-	-	-
Less: Provision for decline in value of investments (Net)	-	-	-	-	-	-	6,957	(49,005)	(114.2)	5,404	(21,409)	(125.2)
Operating profit on ordinary activities before taxes	14,053,822	7,202,472	95.1	5,081,207	2,182,242	132.8	14,989,548	7,665,619	95.5	5,190,943	2,319,190	123.8
Less: Value added tax on financial services	4,001,253	2,994,825	33.6	1,254,165	992,164	26.4	4,126,961	3,076,362	34.2	1,293,475	1,046,033	23.7
Operating profit on ordinary activities before corporate tax	10,052,569	4,207,647	138.9	3,827,042	1,190,078	221.6	10,862,587	4,589,257	136.7	3,897,468	1,273,157	206.1
Share of profit of Associate Companies	-	-	-	-	-	-	212,898	130,653	62.9	75,847	122,729	(38.2)
Operating profit before corporate tax	10,052,569	4,207,647	138.9	3,827,042	1,190,078	221.6	11,075,485	4,719,910	134.7	3,973,315	1,395,886	184.6
Less: Tax on profit on ordinary activities	3,687,257	1,123,641	228.2	1,594,900	101,724	1,467.9	4,162,289	1,402,987	196.7	1,725,934	183,586	840.1
Operating profit for the period	6,365,312	3,084,006	106.4	2,232,142	1,088,354	105.1	6,913,196	3,316,923	108.4	2,247,381	1,212,300	85.4
Attributable to :												
Equity holders of the parent	6,365,312	3,084,006	106.4	2,232,142	1,088,354	105.1	6,760,310	3,299,873	104.9	2,203,722	1,194,954	84.4
Minority interest	-	-	-	-	-	-	152,886	17,050	796.7	43,659	17,346	151.7
	6,365,312	3,084,006	106.4	2,232,142	1,088,354	105.1	6,913,196	3,316,923	108.4	2,247,381	1,212,300	85.4
Basic earnings per share (Rs.)	1,273.06	616.80	106.4	446.43	217.67	105.1	1,352.06	659.97	104.9	440.74	238.99	84.4

BALANCE SHEET

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Rs ' 000

As at	Bank			Group		
	31-Dec-2010 (Audited)	31-Dec-2009 (Audited)	Growth %	31-Dec-2010 (Audited)	31-Dec-2009 (Audited)	Growth %
On-Balance Sheet Assets						
Cash in hand	8,759,580	8,004,770	9.4	8,794,468	8,025,089	9.6
Balances with Central Banks	25,894,466	16,263,468	59.2	25,894,466	16,263,468	59.2
Due from banks and other financial institutions	48,024,021	51,371,149	(6.5)	52,733,775	51,379,232	2.6
Investments - Trading Account	74,148,627	19,896,329	272.7	76,143,865	21,211,613	259.0
Government securities	70,916,279	18,068,459	292.5	72,338,422	19,074,229	279.2
Other securities	3,232,348	1,827,870	76.8	3,805,443	2,137,384	78.0
Investments - Held-to-Maturity	155,790,065	148,584,210	4.8	156,264,935	149,192,709	4.7
Government securities	141,165,424	137,656,047	2.5	141,165,423	137,656,046	2.5
Government of Sri Lanka restructuring bonds	8,547,000	8,547,000	-	8,547,000	8,547,000	-
Other securities	6,084,289	2,387,811	154.8	6,564,160	3,001,311	118.7
Less: Provision for decline in value of investment	(6,648)	(6,648)	-	(11,648)	(11,648)	-
Investments in associates and subsidiaries	6,123,752	4,036,517	51.7	1,284,563	1,084,064	18.5
Total Loans and Advances						
Total Performing Loans and Advances	369,870,466	259,480,008	42.5	379,291,312	266,941,746	42.1
Bills of exchange	15,492,048	15,305,967	1.2	15,997,975	15,658,372	2.2
Overdrafts	68,866,588	56,502,953	21.9	68,944,535	56,491,338	22.0
Lease rentals receivable	4,022,996	3,960,733	1.6	11,275,265	8,766,268	28.6
Other loans	281,488,834	183,710,355	53.2	283,073,537	186,025,768	52.2
Total Non-performing Loans and Advances	12,638,533	15,542,300	(18.7)	13,701,081	16,280,930	(58.8)
Bills of exchange	284,071	792,563	(64.2)	423,826	910,110	(53.4)
Overdrafts	2,450,642	3,109,800	(21.2)	2,450,642	3,109,800	(21.2)
Lease rentals receivable	570,673	755,421	(24.5)	989,169	1,319,123	(25.0)
Other loans	8,518,992	10,438,640	(18.4)	9,023,289	10,496,021	(14.0)
Foreclosed properties	814,155	445,876	82.6	814,155	445,876	82.6
Interest receivable on non performing loans	8,127,464	8,508,903	(4.5)	8,214,332	8,560,627	(4.0)
Total Gross Loans and Advances	390,636,463	283,531,211	37.8	401,206,725	291,783,303	37.5
Less: Interest in suspense	(8,326,692)	(8,508,903)	(2.1)	(8,499,008)	(8,560,627)	(0.7)
Specific loan loss provisions	(7,191,956)	(7,862,955)	(8.5)	(7,592,100)	(8,206,389)	(7.5)
General loan loss provisions	(2,396,231)	(2,093,962)	14.4	(2,527,820)	(2,216,661)	14.0
Net Loans and Advances	372,721,584	265,065,391	40.6	382,587,797	272,799,626	40.2
Other assets	17,706,268	19,184,449	(7.7)	18,313,650	19,774,648	(7.4)
Intangible assets	163,826	110,812	47.8	170,404	119,205	43.0
Investment properties	-	-	-	386,867	391,730	(1.2)
Property, plant & equipment	5,622,104	5,724,043	(1.8)	7,490,286	7,179,167	4.3
Total on Balance Sheet Assets	714,954,293	538,241,137	32.8	730,065,076	547,420,551	33.4
On-Balance Sheet Liabilities						
Total Deposits	524,232,697	408,607,442	28.3	529,318,700	411,459,582	28.6
Demand deposits	89,525,634	55,028,027	62.7	90,471,340	54,911,112	64.8
Savings accounts	190,101,247	162,187,766	17.2	190,376,526	162,187,766	17.4
Time deposits	241,508,005	189,692,572	27.3	245,372,880	192,661,528	27.4
Margin deposits	1,886,224	968,732	94.7	1,886,224	968,732	94.7
Other deposits	1,211,587	730,345	65.9	1,211,730	730,444	65.9
Total Borrowings	144,673,988	85,346,691	69.5	149,835,367	87,848,550	70.6
Borrowings from Central Bank of Sri Lanka	5,914,175	4,891,794	20.9	5,914,175	4,891,794	20.9
Borrowings from banks and financial institutions in Sri Lanka	2,787,625	25,253,940	(89.0)	6,826,345	27,922,686	(75.6)
Borrowings from banks and financial institutions abroad	43,743,353	2,952,643	1,381.5	44,691,495	2,952,643	1,413.6
Securities sold under repurchase agreements	53,522,487	34,203,701	56.5	52,968,787	32,968,041	60.7
Debentures	38,706,348	18,044,613	114.5	39,434,565	19,113,386	106.3
Insurance Provision - Life	-	-	-	66,937	41,336	61.9
Insurance Provision - Non Life	-	-	-	252,774	181,569	39.2
Deferred taxation	457,587	409,453	11.8	489,525	440,132	11.2
Current taxation	2,199,758	189,824	1,058.8	2,422,527	287,650	742.2
Other liabilities	15,258,392	18,789,140	(18.8)	16,417,749	19,627,591	(16.4)
Total on Balance Sheet Liabilities	686,822,422	513,342,550	33.8	698,803,579	519,886,410	34.4
Equity Capital and Reserves	28,131,871	24,898,587	13.0	30,196,086	26,583,285	13.6
Stated capital	5,000,000	5,000,000	-	5,000,000	5,000,000	-
Permanent reserve fund	2,777,500	2,650,000	4.8	2,777,500	2,650,000	4.8
Other reserves	20,354,371	17,248,587	18.0	22,418,586	18,933,285	18.4
Minority interest	-	-	-	1,065,411	950,856	12.0
Total On-Balance Sheet Liabilities and Equity Capital and Reserves	714,954,293	538,241,137	32.8	730,065,076	547,420,551	33.4
Off-Balance Sheet Items and Contra Accounts						
Contingencies	223,054,509	246,042,413	(9.3)	224,621,030	246,042,413	(8.7)
Commitments and contra accounts	110,421	202,235	(45.4)	321,085	273,703	17.3

For the year ended	Rs '000					
	Stated Capital	Reserves				Total Equity
		Permanent Reserve Fund	Revaluation Reserve	Other Reserves	Retained Profits	
Balance as at 01/01/2009	5,000,000	2,585,000	126,961	1,055,732	14,334,563	23,102,256
Net profit for the year 2009	-	-	-	-	3,084,006	3,084,006
Transfers to permanent reserve	-	65,000	-	-	(65,000)	-
Transfer to primary dealer risk reserve	-	-	-	187,571	(187,571)	-
Revaluation adjustment	-	-	(1,662)	-	-	(1,662)
Net exchange translation adjustment	-	-	-	60,397	-	60,397
Dividends for 2009	-	-	-	-	(1,346,410)	(1,346,410)
Balance as at 31/12/2009	5,000,000	2,650,000	125,299	1,303,700	15,819,588	24,898,587
Balance as at 01/01/2010	5,000,000	2,650,000	125,299	1,303,700	15,819,588	24,898,587
Net profit for the year 2010	-	-	-	-	6,365,312	6,365,312
Transfers to reserves during the period	-	127,500	-	-	(127,500)	-
Transfers to Primary Dealer Risk Reserve	-	-	-	248,213	(248,213)	-
Dividends for 2010	-	-	-	-	(3,096,410)	(3,096,410)
Transfers to exchange gain on conversion of London branch in to a subsidiary	-	-	-	(39,566)	-	(39,566)
Net exchange translation adjustment	-	-	-	3,948	-	3,948
Balance as at 31/12/2010	5,000,000	2,777,500	125,299	1,516,295	18,712,777	28,131,871

STATEMENT OF CHANGES IN EQUITY - GROUP

For the year ended	Rs '000						
	Stated Capital	Reserves				Minority Interest	Total Equity
		Permanent Reserve Fund	Revaluation Reserve	Other Reserves	Retained Profits		
Balance as at 01/01/2009	5,000,000	2,585,000	180,354	1,299,807	15,826,941	655,342	25,547,444
Net profit for the year 2009	-	-	-	-	3,299,873	17,050	3,316,923
Share issue of subsidiaries	-	-	-	-	-	237,094	237,094
Transfers to permanent reserve	-	65,000	-	-	(65,000)	-	-
Transfers to other reserves	-	-	-	91,295	(91,295)	-	-
Transfer to primary dealer risk reserve	-	-	-	187,571	(187,571)	-	-
Exchange translation adjustment	-	-	-	60,397	-	-	60,397
Revaluation adjustment	-	-	(1,662)	-	-	-	(1,662)
Dividends for 2009	-	-	-	-	(1,346,410)	(30,629)	(1,377,039)
Adjustments	-	-	-	-	(321,015)	-	(321,015)
Net increase due to change in shareholding	-	-	-	-	-	71,999	71,999
Balance as at 31/12/2009	5,000,000	2,650,000	178,692	1,639,070	17,115,523	950,856	27,534,141
Balance as at 01/01/2010	5,000,000	2,650,000	178,692	1,639,070	17,115,523	950,856	27,534,141
Net profit for the year 2010	-	-	-	-	6,760,310	152,886	6,913,196
Transfers to permanent reserve	-	127,500	-	-	(127,500)	-	-
Transfers to primary dealer risk reserve	-	-	-	248,213	(248,213)	-	-
Transfers to exchange gain on conversion of London branch in to a subsidiary	-	-	-	(39,566)	-	-	(39,566)
Exchange translation adjustment	-	-	-	(852)	-	-	(852)
Dividends for 2010	-	-	-	-	(3,096,410)	(38,143)	(3,134,553)
Change in shareholding	-	-	-	-	(10,681)	-	(10,681)
Adjustments	-	-	-	-	-	(188)	(188)
Balance as at 31/12/2010	5,000,000	2,777,500	178,692	1,846,865	20,393,029	1,065,411	31,261,497

CASH FLOW STATEMENT

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	Bank		Rs.'000	
	Group			
	2010	2009	2010	2009
For the year ended 31st December				
Cash flows from operating activities				
Interest receipts	48,958,295	52,699,040	51,048,298	54,790,121
Interest payments	(32,236,920)	(36,221,614)	(33,076,221)	(37,191,635)
Commissions, fees & receipts from other operating activities	9,121,713	4,917,426	10,154,963	5,335,677
Premium received from policy holders			558,840	264,405
Claims and benefits paid			(210,662)	(126,668)
Reinsurance premium paid			(80,676)	(47,696)
Reinsurance receipts in respects of claims			4,897	8,557
Cash paid to and on behalf of employees	(9,544,644)	(9,868,539)	(10,265,315)	(10,350,930)
Cash payments to suppliers	(5,813,787)	(4,165,318)	(6,433,716)	(4,262,472)
Recovery of loans written off in the previous year	70,866	102,013	97,452	108,086
Value added tax on financial services paid	(3,667,377)	(2,933,948)	(3,793,085)	(3,015,485)
Cash Flows from operating activities before changes in operating assets and liabilities	6,888,146	4,529,060	8,004,775	5,511,960
(Increase) / Decrease in operating assets				
Deposits held for regulatory purposes	(9,630,998)	(634,388)	(9,630,998)	(634,388)
Funds advanced to customers	(107,937,795)	5,520,355	(110,018,536)	4,388,370
Net increase in credit card receivables	(259,654)	60,376	(259,654)	60,376
Short term marketable securities	(1,324,765)	(704,119)	(1,581,389)	(793,699)
Other operating assets	900,628	(961,357)	2,376,806	(713,922)
Increase / (Decrease) in operating liabilities				
Deposits from other banks	179,675	420,101	418,628	420,101
Deposits from customers	117,571,827	92,117,775	117,440,490	92,861,829
Other operating liabilities	(1,611,323)	1,378,267	(1,481,636)	1,171,716
Net cash from/(used in) operating activities before income tax	4,775,742	101,726,070	5,268,486	102,272,343
Income tax paid	(1,692,034)	(1,611,027)	(1,927,120)	(1,858,874)
Net cash from/ (used in) operating activities	3,083,708	100,115,043	3,341,366	100,413,469
Cash flows from investing activities				
Net increase in treasury bills & other eligible bills	(16,668,014)	(2,748,295)	(16,684,808)	(3,221,280)
Proceeds from sale of investment securities	23,571,307	777,133	23,735,457	777,133
Dividends received	468,998	347,878	257,909	150,456
Purchase of investment securities	(31,567,092)	(13,917,685)	(32,050,072)	(14,262,931)
Net cash effect on investment in subsidiaries & associates				
Net cash effect on Investment in Bank of Ceylon (UK) Limited	(1,893,873)			
Net cash effect on Acquisition of Subsidiaries			(23,625)	(134,800)
Net cash effect on other investments in subsidiaries & associates		(433,953)	(187,186)	(126,048)
Purchase of property plant & equipment	(1,043,502)	(1,390,830)	(1,106,282)	(1,430,799)
Purchase of intangible assets	(107,887)	(55,547)	(109,473)	(56,707)
Purchase of leasehold lands	(16,521)		(16,521)	
Purchase of Investment properties			(2,658)	(110,398)
Purchase of securities purchase under resale agreements	(34,225,046)	(4,855,545)	(34,172,166)	(4,908,425)
Proceeds from sale of property plant & equipment	89,179	110,615	98,738	120,878
Net cash from/(used in) investing activities	(61,392,451)	(22,166,229)	(60,260,687)	(23,202,921)
Cash flows from financing activities				
Proceeds from issue of shares				237,094
Proceeds from securities sold under repurchase agreements	19,318,786	(15,597,955)	20,000,746	(15,751,965)
Proceeds from issue/(redemption) of debentures	20,678,813		20,338,953	(88,750)
Net increase/ (decrease) in other borrowings	18,642,031	(28,199,518)	21,664,892	(27,453,459)
Dividends paid to Government of Sri Lanka	(2,923,205)	(1,346,410)	(2,923,205)	(1,346,410)
Dividends to Minority shareholders			(38,143)	(30,629)
Net cash from financing activities	55,716,425	(45,143,883)	59,043,243	(44,434,119)
Net increase/(decrease) in cash and cash equivalents	(2,592,318)	32,804,931	2,123,922	32,776,429
Cash and cash equivalents at the beginning of year	59,375,919	26,570,988	59,404,321	26,627,892
Cash and cash equivalents at the end of year	56,783,601	59,375,919	61,528,243	59,404,321
Analysis cash and cash equivalents				
Cash in hand	8,759,580	8,004,770	8,794,468	8,025,089
Due from banks and other financial institutions	48,024,021	51,371,149	52,733,775	51,379,232
Cash and cash equivalents at the end of year	56,783,601	59,375,919	61,528,243	59,404,321

SELECTED PERFORMANCE INDICATORS

5

As at	Bank		Group	
	31-Dec-2010 (Audited)	31-Dec-2009 (Audited)	31-Dec-2010 (Audited)	31-Dec-2009 (Audited)
Net Assets Value per Share(Rs)	5,626	4,980	6,039	5,317
Regulatory Capital Adequacy				
Core capital (Tier 1 capital), Rs. Mn	25,333	23,192	30,172	26,202
Total capital base, Rs. Mn	33,776	29,282	40,377	33,010
Core capital adequacy ratio, % of risk weighted assets (Minimum requirement, 5%)	10.30%	11.22%	11.35%	12.01%
Total capital adequacy ratio, % of risk weighted assets (Minimum requirement, 10%)	13.73%	14.16%	15.20%	15.13%
Assets Quality				
Gross non - performing advances ratio, (Net of interest in suspense)	3.30%	5.65%	3.49%	5.75%
Net non - performing advances ratio, (Net of interest in suspense and provisions)	1.42%	2.79%	1.55%	2.85%
Profitability				
Interest margin	3.14%	2.90%	3.29%	3.04%
Return on assets (before tax)	1.60%	0.82%	1.73%	0.91%
Return on equity (after tax)	24.01%	12.85%	23.81%	12.82%
Investor Information				
Debt equity (%)	158.61	92.12		
Interest cover (times)	2.10	1.35		
Regulatory Liquidity				
Statutory liquid assets,				
- Domestic banking unit (Rs. Mn)	143,232	89,185		
- Off-shore banking unit (US\$ Mn)	1,032.40	787.22		
Statutory liquid assets ratio, (minimum requirement, 20%)				
- Domestic banking unit	28.65%	21.13%		
- Off-shore banking unit	74.17%	55.46%		
Memorandum Information				
Number of employees	8,204	7,538		
Number of branches	309	310		

SHARE INFORMATION

Shareholder	31-Dec-2010		31-Dec-2009	
	No of Ordinary Shares	Holding %	No of Ordinary Shares	Holding %
Government of Sri Lanka	5,000,000	100	5,000,000	100

1. There are no changes in the accounting policies and methods of computation since the publication of annual accounts for the year 2009.
2. These Financial Statements are presented in accordance with SLAS 35 - Interim Financial Reporting and provide the information as required in terms of Listing Rule 7.4 of the Colombo Stock Exchange.
3. No circumstances have arisen and no material events have occurred since the balance sheet date, which require disclosure or adjustment to the accounts.
4. During the period there were no material changes in the composition of assets, liabilities and contingent liabilities and use of funds raised through debentures.
5. All known expenses have been provided for in these Financial Statements.
6. The group financial statements comprise a consolidation of the Bank and its subsidiaries, Property Development PLC, Merchant Bank of Sri Lanka PLC, Merchant Credit of Sri Lanka Limited, Ceylease Financial Services Limited, Hotels Colombo (1963) Limited, BOC Property Development & Management (Pvt) Limited, BOC Travels (Pvt) Limited, Ceybank Holiday Homes (Pvt) Limited, BOC Management & Support Services (Pvt) Limited, MBSL Insurance Company Limited, Koladeniya Hydropower (Pvt) Limited, Bank of Ceylon (UK) Limited and the group's interest in its associate companies, Lanka Securities (Pvt) Limited, Mireka Capital Land (Pvt) Limited, Southern Development Financial Company Limited, Transnational Lanka Record Solutions (Pvt) Limited, Ceybank Assets Management (Pvt) Limited and MBSL Savings Bank Limited.

CERTIFICATION

I certify that the above Financial Statements give true and fair view of the state of affairs of Bank of Ceylon and the group as at 31st December 2010 and its profit for the year ended 31st December 2010.

Sgd.
Asoka Rupasinghe
Chief Financial Officer

We, the undersigned, being the Chairman, Director and General Manager of the Bank of Ceylon certify jointly that;

- a) the above statements have been prepared in accordance with Sri Lanka Accounting Standards, compliance with the format and definitions prescribed by the Central Bank of Sri Lanka and Rule 7.4 of Colombo Stock Exchange.
- b) the information contained in these statements have been extracted from the audited financial statements of the Bank and it's Group.

Sgd.
Gamini Wickramasinghe
Chairman
(Independent Non-executive)

Sgd.
R Sivaraman
Director
(Independent Non-executive)

Sgd.
B A C Fernando
General Manager

24th March 2011

Colombo

Description	Interest payable frequency	Issue date	Maturity date	Coupon rate		Effective annual yield		Interest Rate of comparable Government security	Amount				
				2010	2009	2010	2009		Bank		Group		
				%	%	%	%		2010	2009	2010	2009	
									Rs' 000	Rs' 000	Rs' 000	Rs' 000	
A - Sri Lanka rupee debentures													
Fixed interest rate													
Unsecured, subordinated, redeemable debentures*	Annually	24.11.2008	24.11.2013	19.00	19.00	19.00	19.00	8.15	345,190	345,190	339,107	339,803	
Unsecured, subordinated, redeemable debentures*	At maturity	24.11.2008	24.11.2013	-	-	17.61	17.61	8.15	322,775	273,927	322,775	273,927	
Unsecured, subordinated, redeemable debentures**	Annually	28.06.2010	28.06.2015	11.50	-	11.5	-	9.15	1,074,670	-	1,069,670	-	
Unsecured, redeemable, debentures	Annually	01.07.2010	01.07.2015	13.20	-	13.20	-	9.15	1,000,000	-	1,000,000	-	
Unsecured, redeemable, debentures	Annually	14.07.2010	14.07.2015	13.20	-	13.20	-	9.15	2,000,000	-	2,000,000	-	
Unsecured, redeemable, debentures	Annually	17.09.2010	17.09.2015	11.00	-	11.00	-	8.95	1,428,813	-	1,428,813	-	
Unsecured, redeemable, debentures	Semi annually	31.07.2010	31.07.2013	13.00	-	13.00	-	8.00	-	-	80,000	-	
Unsecured, redeemable, debentures	Semi annually	31.08.2010	31.08.2013	13.00	-	13.00	-	8.00	-	-	100,000	-	
Unsecured, redeemable, debentures	At maturity	05.05.2010	05.06.2013	15.25	-	15.25	-	8.38	-	-	22,500	-	
									6,171,448	619,117	6,362,865	613,730	
Floating interest rate													
Unsecured, subordinated, redeemable debentures (6 months TB rate (Gross) plus 75 basis points)***	Semi annually	28.06.2010	28.06.2015	8.95	-	11.54	-	9.15	3,925,330	-	3,925,330	-	
Unsecured, subordinated, redeemable debentures (6 months TB rate (Gross) plus 75 basis points)***	Semi annually	24.11.2008	24.11.2013	8.95	10.00	10.46	17.04	8.15	3,699,390	3,699,390	3,699,390	3,699,390	
Unsecured, subordinated, redeemable debentures (6 months TB (Gross) rate plus 150 basis points)***	Semi annually	31.12.2003	31.12.2011	10.43	10.15	10.56	16.69	7.55	250,000	250,000	250,000	250,000	
Unsecured, subordinated, redeemable debentures (12 months TB (Gross) rate plus 70 basis points)****	Semi annually	03.11.2005	03.11.2010	-	11.68	-	20.24	-	-	1,000,000	-	1,000,000	
Unsecured, subordinated, redeemable debentures (12 months TB (Gross) rate plus 75 basis points)****	Semi annually	27.10.2006	27.10.2011	8.94	12.11	11.88	20.16	7.45	1,000,000	1,000,000	1,000,000	1,000,000	
Unsecured, subordinated, redeemable debentures (12 months TB (Gross) rate plus 100 basis points)****	Annually	15.08.2008	15.08.2013	10.49	14.31	12.87	18.14	8.10	300,000	300,000	300,000	300,000	
Unsecured, redeemable, debentures (12 months TB (Gross) rate)*****	Annually	17.11.2006	17.11.2011	8.19	11.36	10.98	19.41	7.46	1,200,000	1,200,000	1,200,000	1,200,000	
Unsecured, redeemable, debentures (12 months TB (Gross) rate)*****	Annually	10.01.2007	10.01.2012	10.39	20.27	10.39	20.40	7.56	1,500,000	1,500,000	1,500,000	1,500,000	
Unsecured, redeemable, debentures (12 months TB (Gross) rate)*****	Annually	12.03.2007	12.03.2012	10.52	19.66	12.30	20.58	7.58	1,000,000	1,000,000	1,000,000	1,000,000	
Unsecured, redeemable, debentures (12 months TB (Gross) rate plus 50 basis points)****	Annually	03.10.2007	03.10.2012	8.39	12.82	11.73	19.51	7.65	1,000,000	1,000,000	1,000,000	1,000,000	
Unsecured, redeemable, debentures (12 months TB (Gross) rate plus 50 basis points)****	Annually	01.11.2007	01.11.2012	8.69	11.48	11.02	19.99	7.65	1,500,000	1,500,000	1,500,000	1,500,000	
Unsecured, redeemable, debentures (12 months TB (Gross) rate plus 50 basis points)****	Annually	01.11.2007	01.11.2012	8.69	11.48	11.01	19.99	7.65	500,000	500,000	500,000	500,000	
Unsecured, redeemable, debentures (12 months TB (Gross) rate plus 50 basis points)****	Annually	01.04.2008	01.04.2013	11.02	18.80	12.94	19.54	8.00	500,000	500,000	500,000	500,000	
Unsecured, redeemable, debentures (12 months TB (Gross) rate plus 50 basis points)****	Annually	01.04.2008	01.04.2013	11.02	18.80	12.94	19.54	8.00	1,500,000	1,500,000	1,500,000	1,500,000	
Unsecured, redeemable, debentures (12 months TB (Gross) rate plus 150 basis points)****	Annually	03.08.2010	03.08.2015	11.50	-	11.50	-	9.20	5,200,000	-	5,200,000	-	
Unsecured, redeemable, debentures (12 months TB (Gross) rate plus 150 basis points)****	Annually	03.08.2010	03.08.2015	11.50	-	11.50	-	9.20	1,750,000	-	1,750,000	-	
Unsecured, redeemable, debentures (12 months TB (Gross) rate plus 150 basis points)****	Annually	03.08.2010	03.08.2015	11.50	-	11.50	-	9.20	5,300,000	-	5,300,000	-	
Unsecured, redeemable, debentures (6 months TB (Gross) rate plus 200 basis points)***	Semi annually	05.12.2009	05.12.2011	10.39	12.29	12.53	21.55	7.28	-	-	330,000	330,000	
Unsecured, redeemable, debentures (12 months TB (Gross) rate plus 300 basis points)****	Semi annually	31.03.2007	31.03.2010	-	17.00	-	16.31	-	-	-	-	14,160	
Unsecured, redeemable debentures (36 months T Bond rate plus 110 basis points)	Semi annually	05.10.2007	05.10.2010	-	17.85	-	17.36	-	-	-	-	300,000	
Unsecured, redeemable, debentures (12 months TB (Gross) rate plus 150 basis points)****	Semi annually	31.03.2010	31.03.2013	11.64	-	11.64	-	7.70	-	-	6,800	-	
Secured, redeemable debentures (12 months TB (Gross) rate plus 100 basis points)****	Annually	10.01.2008	10.01.2010	-	22.22	-	22.23	-	-	-	-	430,000	
Secured, redeemable debentures (12 months TB (Gross) rate plus 150 basis points)****	Annually	10.01.2010	10.01.2011	11.20	-	11.20	-	6.50	-	-	50,000	-	
Secured, redeemable, debentures (12 months TB (Gross) rate plus 150 basis points)****	Semi annually	10.01.2010	10.07.2011	11.20	-	11.20	-	7.10	-	-	25,000	-	
Secured, redeemable, debentures (12 months TB (Gross) rate plus 150 basis points)****	Semi annually	10.01.2010	10.01.2012	11.20	-	11.20	-	7.20	-	-	25,000	-	
Secured, redeemable, debentures (12 months TB (Gross) rate plus 150 basis points)****	Semi annually	10.01.2010	10.07.2012	11.20	-	11.20	-	7.10	-	-	25,000	-	
Secured, redeemable, debentures (12 months TB (Gross) rate plus 150 basis points)****	Semi annually	10.01.2010	10.01.2013	11.20	-	11.20	-	7.70	-	-	25,000	-	
Secured, redeemable, debentures (12 months TB (Gross) rate plus 150 basis points)****	Semi annually	10.01.2010	10.07.2013	11.20	-	11.20	-	8.00	-	-	25,000	-	
Secured, redeemable, debentures (12 months TB (Gross) rate plus 150 basis points)****	Semi annually	10.01.2010	10.01.2014	11.20	-	11.20	-	8.35	-	-	25,000	-	
									30,124,720	14,949,390	30,661,520	16,023,550	
B - United State dollar debentures													
Fixed interest rate													
Unsecured, subordinated, redeemable debentures	Semi annually	10.10.2008	10.10.2013	5.5	5.50	5.5	5.50	4.43	26,761	27,493	26,761	27,493	
Floating interest rate													
Unsecured, subordinated, redeemable debentures (6 months LIBOR Plus 300 basis points)*****	Semi annually	10.10.2008	10.10.2013	3.46	4.69	3.49	4.74	4.43	2,383,419	2,448,613	2,383,419	2,448,613	
									2,410,180	2,476,106	2,410,180	2,476,106	
									38,706,348	18,044,613	39,434,565	19,113,386	

Notes

* Debentures that are listed in the Colombo Stock Exchange were issued on 24 November 2008. Some of these have been traded in the Colombo Stock Exchange during the year ended 31 December 2010 (Highest Price - Rs.135.11, Lowest Price - Rs.107.00, Last Transaction Price - Rs.134.15)

** Debentures that are listed in the Colombo Stock Exchange were issued on 28 June 2010.

*** Weighted average 6 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.

**** Weighted average 12 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.

***** 6 months London Inter Bank Offered Rate (LIBOR) for US Dollars plus 3% per annum

INFORMATION ON LISTED DEBENTURES

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	01-Jan-2010 to 31-Dec-2010 Rs.	01-Jan-2009 to 31-Dec-2009 Rs.
Market Value		
BOC Debenture 2008/2013 , Unsecured, Subordinated, Redeemable, 5 years, fixed rate (19.0%)		
Highest (Rs.)	107	100
Lowest (Rs.)	107	100
Last transaction (Rs.)	107	100
Unsecured, Subordinated, Redeemable, 5 years, floating rate (06 months TB rate (Gross) plus 75 basis points)		
Highest (Rs.)	Not Traded	Not Traded
Lowest (Rs.)	Not Traded	Not Traded
Last transaction (Rs.)	Not Traded	Not Traded
Unsecured, Subordinated, Redeemable, 5 years, zero coupon		
Highest (Rs.)	135.11	Not Traded
Lowest (Rs.)	134.15	Not Traded
Last transaction (Rs.)	134.15	Not Traded
Market Value		
BOC Debenture 2010/2015 , Unsecured, Subordinated, Redeemable, 5 years, fixed rate (11.5%)		
Highest (Rs.)	Not Traded	N/A
Lowest (Rs.)	Not Traded	N/A
Last transaction (Rs.)	Not Traded	N/A
Unsecured, Subordinated, Redeemable, 5 years, floating rate (06 months TB rate (Gross) plus 75 basis points)		
Highest (Rs.)	Not Traded	N/A
Lowest (Rs.)	Not Traded	N/A
Last transaction (Rs.)	Not Traded	N/A

YIELD OF LAST TRADE DONE

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	31-Dec-2010 %	31-Dec-2009 %
Interest yield as at date of last trade done		
BOC Debenture 2008/2013 ,		
5 years, fixed rate (19.0%)	17.76	18.18
5 years, floating rate (06 months TB rate (Gross) plus 75 basis points)	Not Traded	Not Traded
5 years, zero coupon	13.13	Not Traded
BOC Debenture 2010/2015 ,		
5 years, fixed rate (11.5%)	Not Traded	N/A
5 years, floating rate (06 months TB rate (Gross) plus 75 basis points)	Not Traded	N/A
Yield to maturity of last trade done		
BOC Debenture 2008/2013 ,		
5 years, fixed rate (19.0%)	16.36	18.56
5 years, floating rate (06 months TB rate (Gross) plus 75 basis points)	Not Traded	Not Traded
5 years, zero coupon	15.57	Not Traded
BOC Debenture 2010/2015 ,		
5 years, fixed rate (11.5%)	Not Traded	N/A
5 years, floating rate (06 months TB rate (Gross) plus 75 basis points)	Not Traded	N/A

Rs. '000

For the year ended 31 December	Banking		Leasing		Treasury and Investment		Property		Insurance		Other Non Banking / Unallocated		Total	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Revenue from external customers:														
Interest	33,159,051	34,527,041	62,345	52,494	17,713,343	18,324,885	4,313	6,308	29,427	19,870	7,755	13,413	50,976,234	52,944,011
Exchange	(251,547)	133,794	-	-	670,008	1,433,122	-	-	-	-	-	-	418,461	1,566,916
Lease income	-	-	2,086,052	2,335,035	-	-	-	-	-	-	-	-	2,086,052	2,335,035
Commissions	6,278,055	4,169,828	109,559	76,941	-	-	10,711	10,735	89,055	89,187	283	7,011	6,487,663	4,353,702
Other	1,915,729	1,799,925	130,829	106,092	3,835,916	2,193,672	606,009	605,146	8,665	3,076	401,234	220,619	6,898,382	4,928,530
Total revenue	41,101,288	40,630,588	2,388,785	2,570,562	22,219,267	21,951,679	621,033	622,189	127,147	112,133	409,272	241,043	66,866,792	66,128,194
Expenses	(32,469,740)	(36,692,253)	(1,120,190)	(1,297,122)	(14,481,062)	(16,737,032)	332,417	257,960	(66,491)	(75,783)	(301,810)	(221,575)	(48,106,876)	(54,765,805)
Segment result	8,631,548	3,938,335	1,268,596	1,273,440	7,738,205	5,214,647	953,450	880,149	60,656	36,350	107,462	19,468	18,759,917	11,362,389
Unallocated expenses	-	-	-	-	-	-	-	-	-	-	-	-	(7,897,330)	(6,773,132)
Profit from operations	-	-	-	-	-	-	-	-	-	-	-	-	10,862,587	4,589,257
Share of Profit/(Loss) of Associates	-	-	-	-	-	-	-	-	-	-	-	-	212,898	130,653
Income tax expense	-	-	-	-	-	-	-	-	-	-	-	-	(4,162,289)	(1,402,987)
Minority interest	-	-	-	-	-	-	-	-	-	-	-	-	(152,886)	(17,050)
Profit attributable to equity holders / parent	-	-	-	-	-	-	-	-	-	-	-	-	6,760,310	3,299,873
Segment assets	377,756,035	266,873,616	11,460,688	10,235,883	312,496,190	240,543,400	1,711,562	1,689,642	226,116	187,349	1,181,262	1,032,704	704,831,853	520,562,592
Investment in associates	-	-	-	-	-	-	-	-	-	-	-	-	1,284,563	1,084,065
Unallocated assets	-	-	-	-	-	-	-	-	-	-	23,948,660	25,773,894	23,948,660	25,773,894
Total assets	377,756,035	266,873,616	11,460,688	10,235,883	312,496,190	240,543,400	1,711,562	1,689,642	226,116	187,349	25,129,922	26,806,598	730,065,076	547,420,551
Segment liabilities	375,591,228	265,227,694	7,875,741	7,360,029	317,433,546	246,167,879	394,781	340,752	433,235	264,884	913,606	897,004	702,642,137	520,258,242
Unallocated liabilities	-	-	-	-	-	-	-	-	-	-	-	-	(3,838,558)	(371,832)
Total liabilities	375,591,228	265,227,694	7,875,741	7,360,029	317,433,546	246,167,879	394,781	340,752	433,235	264,884	913,606	897,004	698,803,579	519,886,410
Cash flows from operating activities	(38,963,122)	63,685,347	(212,237)	(364,099)	47,068,667	39,789,797	59,373	(47,676)	93,978	16,166	(4,705,293)	(2,666,066)	3,341,366	100,413,469
Cash flows from investing activities*	-	-	-	-	(58,820,977)	(21,477,780)	(58,258)	(118,740)	(148,176)	(118,895)	-	-	(59,028,411)	(21,715,415)
Cash flows from financing activities	11,691,490	(14,338,027)	-	-	47,339,896	(30,165,163)	-	-	50,000	99,700	(38,143)	(30,629)	59,043,243	(44,434,119)
Capital expenditure	(1,187,231)	(1,440,020)	(22,759)	(21,013)	-	-	(3,806)	(4,706)	(5,459)	(130)	(13,021)	(21,637)	(1,232,276)	(1,487,506)