WHAT MATTERS

Annual Report 2009

BANK OF CEYLON

WHAT MATTERS

The flow of local and global events make us realise that it is no longer enough for us to go with the flow. New vistas need new answers...answers that must spring from deep analysis of self and revisited fundamentals

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WHAT MATTERS

The Bank of Ceylon is on a quest... a quest that sees us turn the searchlight inwards... peeling back and illumining the layers of thought and deed that have driven our enterprise up to now. It's a process of critical self-review... a search that goes as deep as our very psyche.

We want to ask ourselves whether we truly know what matters. Are we doing what matters?

Why?

For several reasons... but there have been two momentous developments over the past year and a bit, that have placed the Bank and its stakeholders at a very interesting and vital "threshold" of challenge and opportunity.

Firstly, the global economic crisis that began in the latter half of 2008 and continued to run its course in 2009, made the past year a very difficult one for the BOC. NPL ratios rose, interest rates swung sharply and the local financial arena was rocked by the near collapse of several financial institutions. The pressures on the local economy were severe.

Secondly and quite suddenly, a three-decade old war came to a full stop in May 2009. The implications of this welcome development are almost unimaginable in scope and content. Where to start? What to do? How to do it? Banal questions... yet they encapsulate well that "threshold" at which we all stand... Bank, country and people alike.

Sri Lanka is a country poised for take off. As Bankers to the Nation, if we are to help in this take off, the BOC must do what matters... *where* it matters... *with whom* it matters... *for whom* it matters.

And so we search our hearts, our strategies, our deeds... to ascertain the best way ahead. And if our search reveals answers that are not quite "right", we know we are "big" enough to accept that we haven't being "doing what matters" and we have the capacity and will to change.

We are embarking on a new era... of new thought... of different ways of looking at the big picture before Sri Lanka... and of changing how we work and interact within the new environment. We *will* retain our position as Bankers to the Nation... the Bank of Choice... the Bank of Ceylon.

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BANK OF CEYLON
BOC
Bankers to the Nation

The inward look can reveal so much. Is our conscience in the right place?

Are our "organs" of business in good shape for the years ahead? Is our infrastructure strong enough to face the demands of a new way? Some qualities we may have... others we may need to acquire. We've got to ***look inwards*** first!

CORPORATE REVIEW

70 years of service to the Nation

On the 1st of August 1939, the Governor of Ceylon, Sir Andrew Caldecott, declared open the maiden office of Sri Lanka's first state-owned commercial bank in Fort, Colombo. This is how the saga of the Bank of Ceylon began. Today, in the year 2009, we commemorate 70 years of dedicated service to the people of Sri Lanka, truly living up to our claim - 'Bankers to the Nation'.

The pages of this Report 'speak' eloquently of the progress we've made over the years...the growth and development... the support of national enterprise... an effective presence throughout the country... conveying products and services of premium quality to all customers both in Sri Lanka and overseas.

Vision

Bankers to the nation

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.

BANK OF CEYLON

BOC

Bankers to the Nation

BOC rated No.1 Brand in the country for the second consecutive year by Brand Finance Lanka with a Brand value over Rs. 14 billion

Only Sri Lankan commercial bank with security of state ownership rated 'AA (lka)/Stable Outlook' by Fitch Ratings Lanka Limited

Highest ranked Sri Lankan bank in the Bankers Almanac

Stable capital base exceeding Rs. 24 billion with a 14.16% Capital Adequacy Ratio

Asset base valued at Rs. 538 billion, the largest in the Sri Lankan banking system

Single borrower exposure capacity in excess of Rs. 8.7 billion

Wider customer base with circa 8.4 million deposit accounts and 2 million advance accounts

Leader in treasury operations with over 50% of local foreign exchange market

Leader in NRFC accounts with 31% market share

Leader in corporate and retail lending with a portfolio exceeding Rs. 275 billion

Worldwide network with 658 foreign correspondents

Only Sri Lankan bank operating in London, Chennai and Male

Leader in inward foreign remittances with over 43% market share

Nation's first locally owned bank, expanded its operations with island-wide network of 826 service points; 798 connected on-line

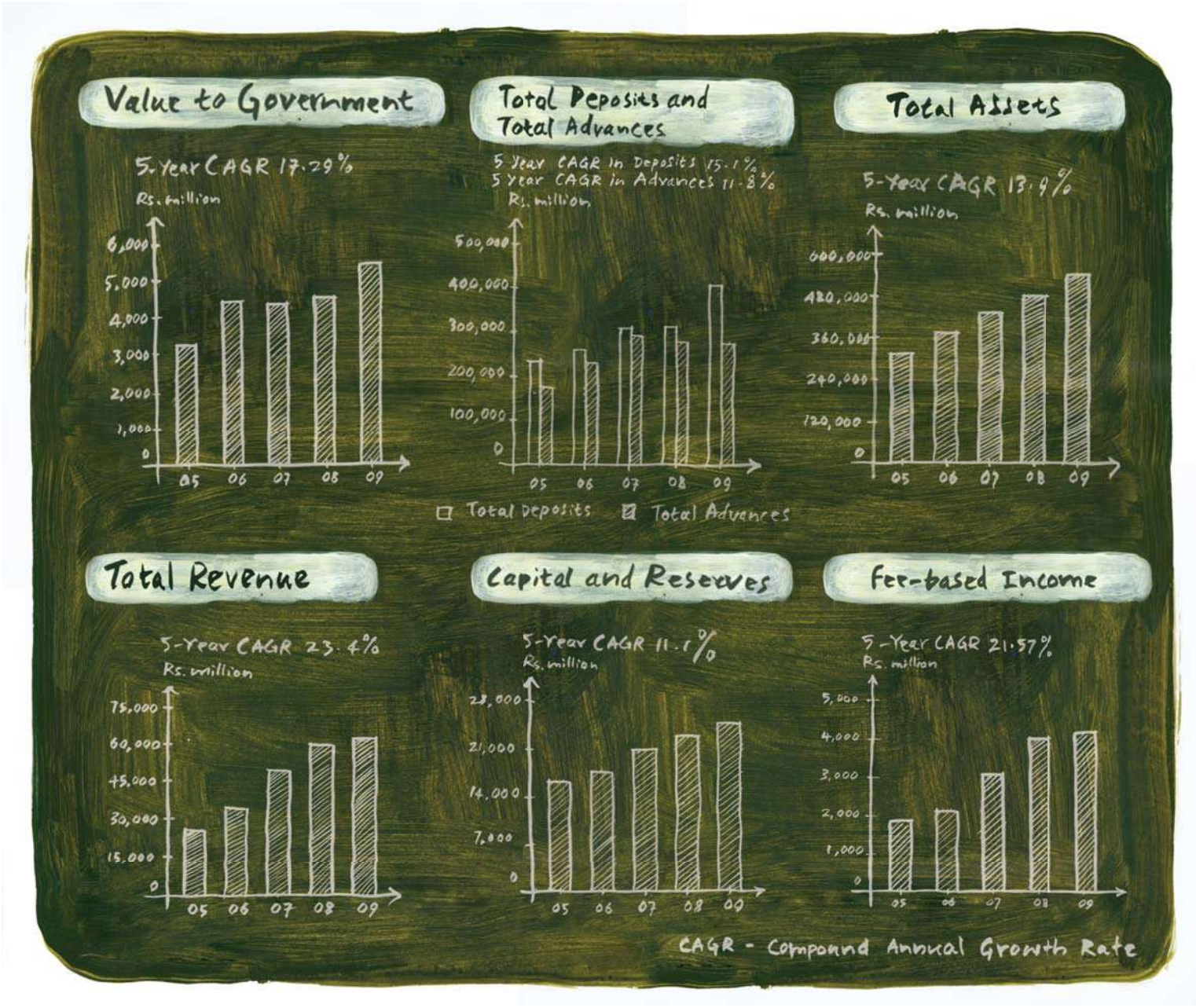
Holding significant market share in deposits and advances

Representing largest offshore banking operations with the highest market share of assets, 40%.

First Sri Lankan state bank to launch an Islamic Banking Unit, which operates in the islandwide network.

FINANCIAL SNAPSHOT

Key Financial Data	Bank 2009	Bank 2008	Bank % Change	Group 2009	Group 2008	Group % Change
Results for the Year (Rs million)						
Total income	63,461	60,182	5.4	66,128	62,427	5.9
Net interest income	14,810	13,695	8.1	15,789	14,592	8.2
Profit before financial VAT and taxation	7,202	7,304	(1.4)	7,666	7,912	(3.1)
Profit before taxation	4,208	5,231	(19.6)	4,720	5,865	(19.5)
Income tax expense	1,124	1,670	(32.7)	1,403	1,916	(26.8)
Profit after taxation	3,084	3,561	(13.4)	3,317	3,949	(16.0)
Value to Government	5,465	4,589	19.1	5,826	4,873	19.6
Position at the Year End (Rs million)						
Total assets	538,241	484,376	11.1	547,421	491,749	11.3
Shareholders' equity (Capital & Reserves)	24,899	23,102	7.8	27,534	25,547	7.8
Deposits from customers	408,607	316,070	29.3	411,460	318,178	29.3
Gross loans and advances	275,022	280,879	(2.1)	283,298	287,856	(1.6)
Non-performing assets	15,542	13,816	12.5	16,281	14,870	9.5
Net non-performing assets	7,500	5,979	25.4	7,792	6,632	17.5
Per Share Data (Rs.)						
Earnings per share	617	712	(13.4)	660	774	(14.7)
Net assets per share	4,980	4,620	7.8	5,317	4,978	6.8
Profitability Ratios (%)						
Return on average equity	12.85	16.13	(3.28)	12.50	16.22	(3.72)
Return on average assets	0.82	1.13	(0.31)	0.91	1.25	(0.34)
Interest margin	3.27	3.35	(0.07)	3.43	3.51	(0.09)
Cost to income	67.60	63.22	4.38	67.28	62.04	5.24
Loans to deposits ratio	67.31	88.87	(21.56)	68.86	90.47	(21.61)
Assets Quality Ratios (%)						
NPA ratio	5.65	4.92	0.73	5.75	5.17	0.58
Net NPAs/Shareholders' equity	30.12	25.88	4.24	28.30	25.96	2.34
Statutory Ratios (%)						
Capital adequacy ratios:						
Tier I Capital (minimum required 5%)	11.22	11.29	(0.07)	12.01	12.18	(0.17)
Tier I & II Capital (minimum required 10%)	14.16	15.88	(1.72)	15.13	16.81	(1.68)
Liquid assets ratio (Domestic) (minimum required 20%)	21.13	24.21	(3.08)	N/A	N/A	N/A

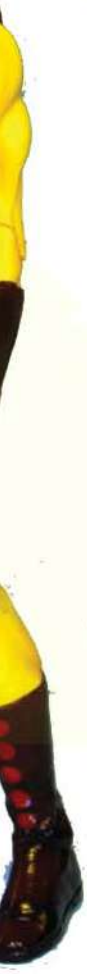

Value to Government
5-Year CAGR 17.29%
Rs. million
6,000
5,000
4,000
3,000
2,000
1,000
0
05 06 07 08 09
Total Deposits and Total Advances
5 Year CAGR in Deposits 15.1%
5 Year CAGR in Advances 11.8%
Rs. million
500,000
400,000
300,000
200,000
100,000
0
05 06 07 08 09
Total Deposits
Total Advances
Total Assets
5-Year CAGR 13.9%
Rs. million
480,000
360,000
240,000
120,000
0
05 06 07 08 09
Total Revenue
5-Year CAGR 23.4%
Rs. million
75,000
60,000
45,000
30,000
15,000
0
05 06 07 08 09
Capital and Reserves
5-Year CAGR 11.1%
Rs. million
28,000
21,000
14,000
7,000
0
05 06 07 08 09
Fee-based Income
5-Year CAGR 21.57%
Rs. million
5,000
4,000
3,000
2,000
1,000
0
05 06 07 08 09
CAGR - Compound Annual Growth Rate

SEDUCTION

We have sufficient for everybody's Needs, not for Greed

"I suggest that we are thieves in a way. If I take anything that I do not need for my own immediate use and keep it I thieve it from somebody else. I venture to suggest that it is the fundamental law of Nature, without exception, that Nature produces enough for our wants from day to day, and if only everybody took enough for himself and nothing more, there would be no pauperism in this world, there would be no more dying of starvation in this world. But so long as we have got this inequality, so long we are thieving".

M. K. Gandhi - Book - Trusteeship
(Navjeevan Trust Publication - Ahmedabad) 1960 ; Page 3.



CHAIRMAN'S MESSAGE

It is a pleasure to present to you the Annual Report of the Bank of Ceylon for the financial year 2009. During the year, the Bank marked 70 years of exemplary banking services. It is now envisaging the future course of value creation, given that Sri Lanka is poised to attain a new economic growth trajectory in the post-war era.

The economic environment prevalent over the past year presented both opportunities and challenges, while confirming the relative strength and stability of the Bank. During this challenging time for the financial services industry worldwide, the Bank continued to demonstrate the prudent management capacity that its stakeholders count on. The Bank's liquidity position remains one of its great strengths. It is also well-capitalised, amply justifying the AA(lka) credit rating from Fitch Ratings.

The juxtaposition of events, the cessation of conflict tempered by a slowly improving economy, opens up a world of unprecedented opportunity for Sri Lanka and the Bank of Ceylon. This is why we've taken a searching look at the psyche of the Bank, its people, processes, products and stakeholders, even as we enact the strategies that seek to maximise the unfolding opportunities.

THE ECONOMIC AND BANKING ENVIRONMENT

The global financial crisis as well as a simultaneous recession in many economies impacted the Sri Lankan economy to a moderate extent. However, as the year passed, mixed signs of recovery were seen in some economies relative to year 2008, restraining the indirect negative impacts on our economy. Notwithstanding several challenges, the Sri Lankan economy remained resilient. Its financial institutions and the private corporate sector also remained stable and solvent.

The Central Bank of Sri Lanka further accommodated monetary easing, periodically cutting Repo and reverse Repo rates over the year. Taking cues from the reduction in policy rates and easing liquidity conditions, Bank of Ceylon revised lending rates for both new and existing loans and spearheaded economic revival. Such rate revisions although coming at an opportunity cost of approximately Rs. 1.3 billion to the bottom line were intended to revitalise business activity across the island.

The demand for credit moderated in spite of a low rate regime impacting banking business. Considerable credit quality impairment was also noted across the banking sector. However, macroeconomic management has helped maintain lower volatility in both the financial and the real sectors, resulting in better-than-predicted real growth for the year.

With the end of the civil conflict, Sri Lanka has entered into an intermediary phase; one that creates new opportunities for value addition and exponential growth. The opening up of the North and the East is presenting avenues to revive hitherto sub-optimal economic sectors. An increasing interest in the Sri Lankan capital market and an enhanced propensity for foreign direct investment is also witnessed.

FINANCIAL PERFORMANCE

In spite of depressed credit demand, the Bank has registered satisfactory progress in many important areas not limited to deposits, inward remittances, recovery of impaired assets, profitability and geographical presence.

I am pleased to report that the Bank's total turnover for the year ended 31 December 2009 was Rs. 63.5 billion. Deposits have increased to Rs. 408.6 billion at the end of year 2009 from the previous year's Rs. 316.0 billion, recording a growth of 29%. Advances were recorded at Rs. 275 billion. The Bank made a Profit Before Tax of Rs. 4.2 billion.

Considerable efforts were made during the year to mitigate the burden of non-performing loans. The NPA ratio stood at 5.7% at the end of December 2009.

The Bank's performance in 2009 reflects its strength to consolidate its position as the premier public sector bank. It also provides the impetus to review and revisit its business direction through a new corporate plan.

REVISITING THE CORPORATE PLAN

Without over-simplifying the process of formulating strategy for the way ahead, we sought answers to the question, 'what matters?' across the gamut of enterprise. Were we really doing what matters? Delivering what matters? Do we have the people who matter, on board? It is in answering these questions that we have formulated the Bank's new corporate plan branded 'one 10 TWELVE'.

This medium term corporate plan covers the challenging goals of achieving a Rs. 1.0 trillion Balance Sheet and Rs. 10.0 billion profits by year 2012. The corporate plan now focuses solidly on strategies of undertaking new businesses to help move away from the over-dependency on traditional interest income. This also places emphasis on becoming increasingly more customer centric and diversified.

With diversification in mind, our wider ranging product and service line will include wealth and asset management, bancassurance, private equity, venture capital, debt and equity distribution, alternative investments, international investments, personal financial services and others.

A significant component of inorganic growth will be achieved through an investment banking perspective. I am proud to report that the Bank has launched an investment banking division during the year.

Through the corporate plan the Bank's focus will also be directed to evolving effective strategies to optimise human resources in a highly motivational work environment. Having revisited the approach and attitude towards customer service, we are not only drawing upon information technology and infrastructure but are also initiating a fully-fledged cross selling culture.

EQUITABLE BANKING SERVICES

As Bankers to the Nation we have a duty to reach out to all citizens of the country. In light of this, we have made every effort to absorb rural areas and the North and the East into the mainstream financial system. We were the first bank providing fully-fledged online banking services within the centres for Internally Displaced Persons as a part of our corporate social responsibility regime. From our resources, a larger portion will be allocated to the resurgence activities in the North and the East. In the matter of setting the foundation for development of the North and the East, the Bank has been unwaveringly committed to the people of these areas.

During 2009, the Bank opened 46 extension offices island-wide of which 26 were opened in the North and the East. The Bank has already launched other sustainable development projects to help create economic opportunities for the people of these areas. During 2010, the Bank intends to harness investment inflows from foreign sources for development activities in this region.

Amongst rural deposit mobilisation drives, the Gam Udana programme's success continued. This rural awakening endeavour acquired momentum, securing approximately 800,000 new savings accounts with a total fund base of approximately Rs. 11.0 billion over the year.

SAFEGUARDING SYSTEMIC INTEREST

At the request of the Central Bank, we took steps to provide managerial assistance and equity infusion to Seylan Bank PLC. I am proud to report that the Bank of Ceylon's involvement supported Seylan Bank's business continuation and performance enhancement, strengthening overall systemic stability.

GOING GLOBAL

With a view to taking its business into the global market the Bank is now in the advanced stages of converting the London branch into a wholly-owned subsidiary. As the London subsidiary will become an independent entity governed by the Financial Services Authority of the UK, it will support the Bank's entry into European and international markets.

To enter this new phase of global business, customer niches have been identified that will find Bank of Ceylon's international connectivity most meaningful. We aim to capture a uniquely international customer base initially focusing on the Sri Lankan diaspora.

The Bank had declared the last year as its Year of Inward Remittances and secured Rs. 166.9 billion in forex inflows. New Non-Resident Foreign Currency accounts opened over the year amounted to over 77,000 taking the total number up by 32%, to 315,260. The Bank has expanded correspondent relationships to 64 new Global Banks and Exchange Houses. It has also increased IT orientation to facilitate international business, thus retaining a market dominant position in this sector.

ACKNOWLEDGEMENTS

Last year, the Bank's boardroom was marked by thoughtful analysis and active engagement. The impact of the Board's stewardship in many relevant areas translates into a bank-wide heightening of risk management, governance, performance orientation and farsightedness. I thank all my colleagues on the Board for their continued support.

I wish to place on record my gratitude to the General Manager, Mr. B A C Fernando for his valuable contribution in taking the reins of this great edifice of finance and national interest and driving it towards its aspirations.

We are grateful for the sustained support and patronage of our customers and recognise that our plans for the future depend on our serving them well.

The contribution made by auditors, legal advisers, consultants, correspondents and external advisors is thankfully acknowledged. The positive role played by the trade unions in the Bank's operations is also appreciated.

The rich contribution made by the dedicated Corporate and Executive Management and the diligent workforce forms the backbone of the Bank's resilience. My gratitude goes to you all for your hard work.

I thank His Excellency Mahinda Rajapaksa, the President who is also the Minister of Finance and Planning, Honourable Ranjith Siyambalapitiya, Deputy Minister of Finance and Planning, Dr. P B Jayasundera, the Secretary to the Ministry of Finance and Planning, Mr. Ajith Nivard Cabraal, the Governor of the Central Bank of Sri Lanka, Mr. S Swarnajothi, the Auditor General and Mr. Mohan Pieris, the Attorney General and respective officials for their guidance and support. I also wish to thank Mr. Sumith Abeysinghe, the former Secretary to the Ministry of Finance and Planning for the support extended.

CONCLUSION

Although the near term outlook for many economies looks challenging, some signs of recovery and indeed growth have been established. World equity markets, and other important financial markets too have recently shown some signs of recovery.

We do not underestimate the direct and indirect impacts of the global economy but believe the Bank is resilient and already possesses the impetus to achieve the goals of the new corporate plan. Reaping peace dividends as well as moving away from pure-play commercial banking would be made possible through adaptability, innovation, skills development, technology, risk management, marketing and customer centricity.

Year 2010 will be the foundation year for reinventing the Bank as a financial powerhouse. Having completed 70 years of glorious existence I am confident that Bank of Ceylon will scale new heights in the future with the continued support and patronage of the Government of Sri Lanka, its stakeholders and well wishers.

Dr. Gamini Wickramasinghe
Chairman

18 March 2010
Colombo

"I know that the reason for my being is to partner the process of creating another being. The odds are daunting... the outcome uncertain... but I was born optimistic! "
she
GOLCONDA
BAY
Brampour
Madura
Trincomaly
Candy
Colombo

Pause here. The journey beyond this threshold is determined by our answers to the question "**What Matters?**"

"I am on the journey of my life.
My journey's end must create
another life. For this I exist. Both success
and failure are before me... but I am
strong and have great faith that it is
success that I will grasp in the end"!

GENERAL MANAGER'S MESSAGE

2009 is a historic year as your Bank completed 70 years of service to the nation. It was also a year, where it was called upon to give its fullest contribution to the growth of the national economy. As the nation's premier Bank, a part of its mission is to act as a catalyst to national economic growth. As more opportunities for economic development appeared and reconstruction gathered momentum the Bank's role became crucial.

Such were the opportunities unfolding that the Bank felt it necessary to self-examine and re-visit its core strategies to place its enterprise in the most effective position as we look to the future.

Though the burden that the Bank was called upon to bear over the year under review was heavy, we believe that it is a year we could look back on with great satisfaction. Very often this role the Bank plays in the economy goes unnoticed. This year, however, was an exception.

In 2009, the Bank recorded a profit before tax of Rs. 4.2 billion. Its revenue rose to Rs. 63.5 billion - an increase of 5%. We are happy with our performance considering the conditions under which we operated. The business volumes and profitability of a number of our customers were adversely affected by the economic downturn in key export markets and our focus was partly diverted to issues related to national economic development.

Our asset base passed the half trillion-mark recording Rs. 538 billion - another milestone in a historic year. This growth is a consistent 11% for the second year in succession. Our asset base is the largest by far for any local bank.

Our deposits rose by 29% to reach Rs. 408 billion. Our drive for deposit mobilisation has been effective. When considering the fierce competition under which we perform, we are very happy with this.

Our capital adequacy registered a strong 14.16%.

The Bank continued to offer a complete range of services over the largest geographical area covered by any bank operating locally. True to our commitment we have continued to provide banking services in areas most heavily affected by the recently ended conflict. We continue to provide services in areas under-served by other banks. We also continued to set the professional standards in local banking increasing our professionalism in new areas.

At the beginning of this year, the Bank formally established the Independent Integrated Risk Management Division (IIRMD) complete with its risk management technology and dedicated staff. During the year, it also recruited its first Chief Risk Officer (CRO) and formed the Integrated Risk Management Committee (IRMC) - a subcommittee of the Board of Directors. With this move it gathered all the risk management activities done up to now under a specialised division reporting to a Board committee.

RETAIL BANKING

This year too, we kept up with using our network of branches to good effect. We have the largest online network in the whole of Sri Lanka. The leverage provided by this was used to add value to our services and products. We continued to review our products in the light of changes in retail market behaviour. Changes to products reflect the changes in the market conditions - the opportunities from post-conflict rehabilitation and reconstruction being one such change. We are happy with the responses we have got from the retail segment. Special mention must be made of the establishing at very short notice of five fully-fledged banking units within the premises of the camps in the North to serve the Internally Displaced Persons (IDPs).

In a move to add value to our retail segment we added a Customer Call Centre this year at Head Office. We believe that this will significantly increase our service quality.

CORPORATE BANKING AND OFF-SHORE BANKING

2009 was a year where we maintained extra vigilance on facilities to businesses that were considered as vulnerable to the economic downturn in overseas markets. The recently formed risk management division played a special role in this respect. With a large number of our customers facing an economic downturn in their target markets resulting in lower demand and fewer orders, we were very much focused on maintaining the quality of our portfolio.

We continued to dominate the corporate banking segment and hold our share of it. Our customers continue to respond well to our investments in IT. Our facilities like "Bank Trade", "Client Trade" and "Boc *i* Net" are increasingly used by our clients.

Understanding the customers' requirements and maintaining close relationships help us to serve this challenging sector very effectively.

INTERNATIONAL

The Bank continues to dominate the inward remittances market. Efforts are ongoing to augment our capacity to serve this segment better. We continue to deploy personnel in these markets in various capacities depending on the level of activity. Our markets include the Middle East, South Korea, Israel, Italy, Canada and Japan.

It is extremely heartening to report that during 2009 our foreign exchange inward remittance business met with outstanding success with business from certain countries reporting increases of over 100% in volumes. During this year we established a special remittance scheme for the Italian market. We also actively promoted our remittance schemes such as "MoneyGram".

In support of our international activities the Bank maintains a network of more than 650 correspondents in many countries. We continued to work at maintaining and developing our relationships with other banks and financial institutions worldwide.

TREASURY

2009 was a very successful year for the Treasury though the year began amidst instability in the world's financial markets. The Treasury was successful in managing liquidity and securing a good return. The Treasury plays a vital role in helping key institutions with their funding requirements. This year too, as in the past it succeeded in mobilising the required funding amidst stress in liquidity in international and local markets. The syndicated loan of US$ 65 million it raised partnering with HSBC is an indication of the Bank's image.

A major development was the formation of an Investment Banking Division (BOC Investment) under the Treasury. This is expected to grow in importance as opportunities for growth expand.

The upgrade of facilities and capabilities of the Treasury Division continued according to plan throughout 2009.

INFORMATION TECHNOLOGY

The Bank continued to strengthen its edge in IT in 2009. Its online network was expanded to reach 307 branches and 164 extension offices to make a total of 471 fully automated service points. This is supplemented by 327 ATMs in 300 locations.

During 2009, we continued to upgrade facilities, add features and train our personnel in the more efficient use of resources.

An achievement of note was the rapid deployment within camp premises of five fully-fledged banking units complete with ATMs and direct connectivity to the Bank to serve the Internally Displaced Persons in the North - an example of our use of IT to reach underserved segments in this country.

THE WAY FORWARD

Our plans for the future involve several areas. These areas cover development of human resources, development of expertise in several areas, investments in IT and taking steps to enter new fields. These plans have been arrived at after closely examining the role that we are called on to play, our core values and the strategic edge we hope to achieve.

Human resources development will be a major area of focus. We are constantly reviewing our approaches and policies in this regard. We have added new areas of training into our curriculum. A Human Resources Development (HRD) Specialist has been recruited. Our Human Resources Division too is to be further strengthened. Already our HRD staff are being trained in order to develop HR development related skills.

Development of new areas of expertise and obtaining expertise will be a key activity. Specialists are already deployed in the areas of research, internal audit, marketing, finance, information technology, human resources development and risk management.

We will continue our investments in IT. We intend to continue to maintain the edge we already hold. This is a vital part of our effort to add value to our services. We shall also continue to strengthen our newly formed Risk Management Division.

Perhaps our biggest challenge will come from the new areas into which the Bank will enter. With the North and the East earmarked for development the Bank sees opportunities for investment banking in a bid to widen its horizons which will be a new chapter in the history of the Bank.

ACKNOWLEDGEMENT

2009, as it was with 2008, was a challenge-filled year for the banking sector and for the Bank of Ceylon in particular.

The fact that we successfully performed our obligations to national economic development and still recorded the results we achieved is a testimony of our strength and the validity of our claim as Sri Lanka's number one bank.

I gratefully acknowledge the support provided by the Secretary to the Treasury, Governor of the Central Bank of Sri Lanka, the Auditor General, the Attorney General, the Chairman of the Strategic Enterprises Management Agency and the other officials of these institutions.

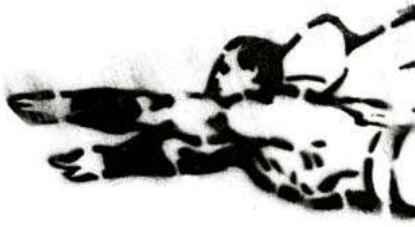
I wish to thank our employees for their dedication and commitment to duty and loyalty to the Bank. I thank their representatives - our trade unions - for their co-operation.

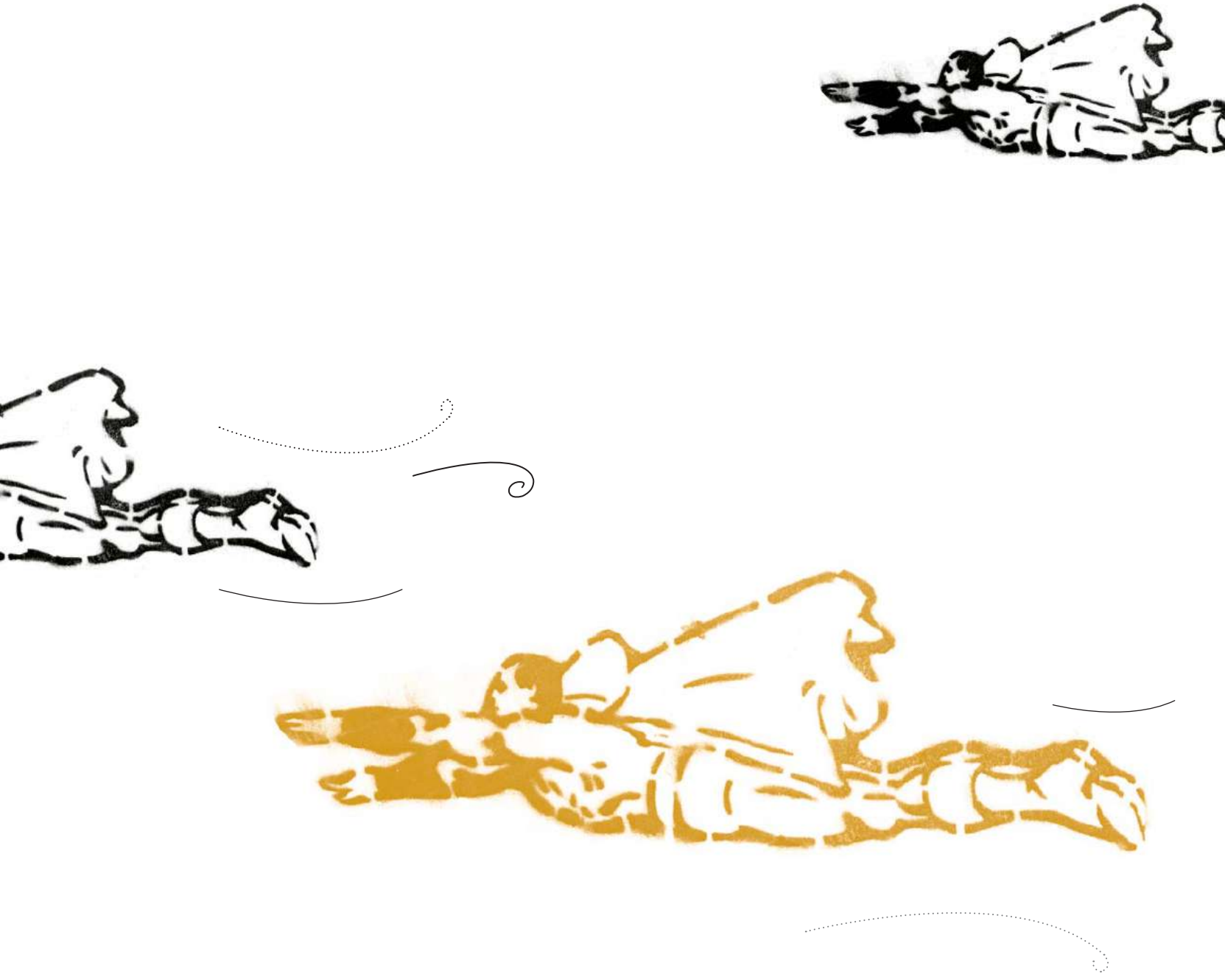
I also gratefully acknowledge the guidance and support of the Chairman and other members of the Board of Directors.

As I close my review on this 70th anniversary year, I feel that those far-sighted people who helped found this Bank 70 years ago would have been very happy with the role we have played up to now and of our vision for the future. I look forward to 2010 with great enthusiasm.

B A C Fernando
General Manager

18 March 2010
Colombo





Think about it... you can package almost anything... a relationship... the heart... the mind...a gift... Sigiriya... a stone. In fact is there anything that cannot be packaged and commercialised? Question – Do we accept this 'status quo'... or

is there another way?

MANAGEMENT DISCUSSION AND ANALYSIS

ABOUT THE BANK

State owned commercial banking began in Sri Lanka with the establishment of the Bank of Ceylon (BOC) on the 1st August 1939 under the Bank of Ceylon Ordinance No. 53 of 1938.

Now entering its eighth decade of operations, the BOC is firmly entrenched as Sri Lanka's premier financial services organisation offering a broad range of banking and financial services to an equally broad spectrum of clients such as the ordinary consumer, corporate customer and the Government of Sri Lanka.

From a regulatory and infrastructural perspective, the BOC is subject to examination and regulation of the Central Bank of Sri Lanka. By virtue of its listed debenture on the Colombo Stock Exchange (CSE), the BOC is subject to the Listing Rules of the CSE. In addition, all overseas branches are subject to Banking Regulations prevailing in the respective countries.

The strength and stability of the Bank is vindicated by its AA (lka) rating with a stable outlook, bestowed by Fitch Ratings Lanka Ltd.

Looking at its enterprise as at the end of 2009, the Bank employs 7,538 full time permanent and 1,198 outsourced employees within its Sri Lankan and overseas branch networks.

In the domestic market, the BOC enjoys substantial strength being either the market leader or holding significant market share in segments such as Loans and Advances, Deposits, NRFC Accounts, Inward Remittances, Off-shore Banking, Treasury and Small & Medium Enterprises Loan Schemes.

The Bank's business profile segments operations into the key areas of Retail Banking, Corporate Banking, Treasury and International Operations, Development Banking and Islamic Banking. Several significant products and services are offered under these areas.

Currently, the Bank's accounts base spans 8.4 million customer accounts across all 9 Provinces of Sri Lanka. It reaches consumers through a widespread network of 307 branches and 192 representative offices within Sri Lanka and another 03 overseas.

In 2009, in testimony to the unparalleled strength it enjoys in the commercial banking arena, the Bank achieved an asset base of half a trillion, 76% of which was financed via customer deposits. This result is a singular achievement when one considers the economic climate which prevailed during the year, which was not conducive to mobilisation of deposits *per se*.

Retail Banking

Key offers in this segment are Consumer Lending & Finance (Real Estate/Mortgages, Student Loans, Auto Loans), Retail Distribution & Banking (Branches), Commercial Business (SMEs & Middle Market Commercial Banking), Leasing, Pawning and Credit Cards.

Corporate Banking

The Bank's product mix offer includes Debt-based products (Term Loans, Overdrafts, Trade Finance, Project Finance, Syndications, Leasing, etc.) and Transaction Services (Cash Management, Trade Services, Agency Services and Working Capital Management) for Corporate and Off-shore banking.

Treasury and International Operations

Products offered are areas such as Foreign Exchange, Money Market, Local and Foreign Currency Funding, Inward Remittances, Fixed Income and Equity Trading, Correspondent Banking and Overseas Branches.

Development Banking

The Bank provides Micro Finance, Scheme Loans, Lending towards social poverty alleviation and expanding banking outreach.

Islamic Banking

The Bank's Islamic banking service is in a fledgling state and is an area it hopes to grow within a growing market.

FROM A NATIONAL PERSPECTIVE

Some important developments in 2009 both in Sri Lanka and overseas bred a welcome sense of dynamism, long missing from our financial and commercial landscapes.

Key amongst these developments were the cessation of a three decade long war, welcome signs of recovery in the global economy from the chaos and recession of the past year and a bit, the contraction of the total gross loans of the Sri Lankan banking industry and the Sri Lanka Interbank Offer Rate (SLIBOR) dropping from 19.9% in January to 10.26% in December 2009.

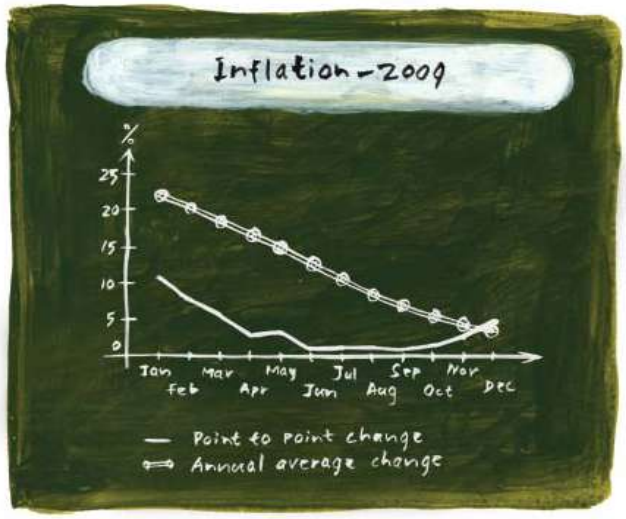
The Economic Environment

After reaching the nadir of the deepest global downturn in the post World War II history, the global economy shows welcome signs of recovery, albeit marginal and with varying momentum across different regions of the world. The International Monetary Fund (IMF) states that world output has declined by 2.2%[1] in 2009.

Sri Lanka's economy has also undergone a period of pressure during 2009 due to the dual impact of internal and external adversities. High inflation, a large trade deficit and a deteriorating reserve position coupled with a deleterious war that prevailed during the first few months of 2009 created downward pressure on all areas of financial enterprise. However, the economy showed greater resilience in the second half of the year, with real

[1] *Global Economic Prospects 2010 - Crisis, Finance, and Growth, World Bank*

output growth gathering momentum, inflation reducing to a 25 year low and the country's external sector recording favourable development. Amidst the



global crisis and domestic war, Sri Lanka's real Gross Domestic Product (GDP) grew by 3.5% during 2009.

From mid 2009, Sri Lanka's monetary policy was relaxed to stimulate the credit environment and promote economic activity in the country. During the second half of the year, as a consequence of declining growth in credit facilities on offer to the private sector, banks were encouraged to expand credit to the private sector thus moderating inflation and mitigating to some extent, the negative impacts of the global financial turmoil on the domestic economy. From a regulatory perspective, the reduction of the Central Bank of Sri Lanka's repurchase rate by a total of 300 basis points to 7.5% and the reverse repurchase rate by a total of 225 basis points to 9.75% as well as reduction of Statutory Reserve Ratio (SRR) applicable on commercial banks to 7.0%, plus a mandatory reduction of interest rates applicable on state banks, which were announced by the Government, marked a series of steps taken towards easing high interest rates prevailing in the country. As a result of these measures, the second half of the year saw a growth in private sector credit, although full year growth results remained negative.

The country's current account is expected to report a marginal surplus in 2009, its first since 1977. The narrow trade deficit has been offset by higher inflows of worker remittances, which increased by 14.1% to US$ 3.3 billion. The country's foreign exchange reserves soared as a consequence of the inflow of the funding package the Government agreed to and accepted from the International Monetary Fund (IMF). At the end of 2009, the country's gross official reserves, stood at US$ 5.4 billion. This reserve position has reduced the risk of Sri Lanka facing a currency crisis in the short term.

The Sri Lanka Rupee depreciated against the US$ by 1.1% in the year 2009 against the average currency depreciation of around 5% experienced over the period 2000-2008. This depreciation that sank to historic lows during the period leading up to April 2009, stabilised in the second half to end the year at Rs.114.40. This position was largely influenced by an increase in foreign exchange inflows as a result of increased investor confidence consequent to the cessation of the war.

Sri Lanka faces a challenging fiscal situation. Fuelled by increased recurrent expenditure, the overall budget deficit is expected to overrun the target of 7% set for the year 2009. In order to address the issues on the fiscal front, several measures have been taken by the Government. These include the establishment of a Presidential Commission to study the existing tax system and propose measures to increase tax revenues and the pursuit of a reduction in recurrent expenditure by 2%, from the amount indicated in the Appropriation Bill in 2009.

Reflecting the relatively low growth in GDP and Government revenues, the Government debt to GDP stood at 84.3% in 2009 compared to 81.1% in 2008. However, this is projected to reduce with the increase of Government revenue, rationalisation of expenditure and increase in GDP.

Despite the spill over effects of the global financial crisis and turmoil in the local financial market due to erosion of public confidence in the informal financial sector caused by the failure of some institutions in this sector, Sri Lanka's banking sector remained resilient and profitable. Capital adequacy, liquidity and profitability remained relatively high.

The table below highlights performance of some key indicators in the banking industry up to September 2009:

	2008	Sep. 09
Total Capital Adequacy Ratio (%)	13.8	14.1
Tier 1 Capital Adequacy Ratio (%)	11.1	11.4
Gross Non Performing Loans Ratio (%)	6	8.6
Return on Assets (Before Tax) (%)	2	2
Return on Equity (After Tax) (%)	14.8	14.1
Statutory Liquidity Ratio (%)	25.7	32.8
Liquid Assets to Total Assets (%)	25.4	31.5

Source: *Central Bank of Sri Lanka*

Despite the foregoing, Bank lending contracted by 3% up to September 2009 resulting in a decline in the credit to deposits ratio in the industry from 87% in 2008 to 74% by end September 2009. Reflecting the adverse economic conditions, the Non Performing Loans (NPL) increased from 6% in 2008 to 8.6% by end September 2009.

On the equity market front, positive sentiments created due to the cessation of war helped the Colombo Stock Exchange (CSE) to become the best performing bourse in Asia and the second best performing bourse in the world in terms of index performance, during 2009. Its benchmark All Share Price Index (ASPI) closed the year at 3,385.6 points recording a growth exceeding 125% for the year. The market capitalisation surpassed the Rupees one trillion mark for the first time in history to finish the year at Rs.1,092 billion.

SOME AREAS OF CHALLENGE

The Impact of Global Economic Turmoil

The global crisis did have some impact on Sri Lanka particularly in the area of external trade where the country's premier exports such as tea, rubber and garments witnessed dwindling orders and low prices. Thus the country's balance of payments situation was also adversely affected.

However, the country was largely immune from catastrophe as it had not been linked or exposed to toxic assets carried on the Balance Sheets of crisis ridden global banks.

In addition, the regulatory authorities promulgated requisite monetary policies that helped protect the Sri Lankan economy from a potentially untenable situation.

Areas of Challenge for the Bank

The Bank endeavours to transform its ethos from that of an entity conducting enterprise within an environment impacted by war, to one now unfettered by the constraints of conflict, able to apply in full measure, that dynamism, enhanced momentum and proactive business management culture that can take full advantage of the opportunities presented.

In this context, the tumultuous events of 2009 which we have already alluded to in terms of the stoppage of war in the country and the improving global economic situation have opened up before us a new horizon of almost unfathomable opportunity, hence our approach of self-analysis which has formed the basis for a new Corporate Plan and the theme for this report. Opportunity is often accompanied by challenge and it is an unfolding era that the Bank looks forward to with great eagerness.

From an operational perspective, during 2010 the Bank is planning to recruit over 1,000 staff assistants to its cadre and the challenge here is to induct them in an optimal manner to meet the exigencies of the future.

The Bank seeks to continuously develop future leaders from amongst our staff, which can present challenge in identifying correctly the needs of the future and accurately forecasting our own requirements in terms of the manpower necessary to face the future.

In terms of enhancing our HR management structure, the Bank actively pursues the inculcation of 'new skill sets' which will equip it for next generation banking, whilst also upgrading its existing skill inventory to match its strategy map.

The Bank is also developing a high performance-high reward culture.

We have to face and surmount areas of stress especially high NPAs such as those within the leasing and apparel industries.

We also have to assume an ever-vigilant approach to containing the Bank's overheads.

Future Enablers

We have identified certain areas of activity that will provide drive to our future momentum. These include enriching our mobile and internet banking products and services, expanding our branch network, instituting a 'Contact Centre' business solution option and developing our ATM capabilities to incorporate a universal agency platform.

STRENGTHENING OUR ORGANISATIONAL STRUCTURE

During the year under review, the Bank appointed a Chief Internal Auditor and strengthened its audit and Governance division with a well qualified audit team.

The chain of command was changed to allow internal control officers who had hitherto operated at branch level, to now report to the Chief Internal Auditor thus strengthening internal control and independence.

Another highlight of the year was the change from paper-based auditing processes to a computer-based system. The Bank's strong IT capabilities have yielded enhanced auditing techniques with embedded analytical tools of quality, which allow audits to have quality and wide scope whilst remaining cost effective and speeding up completion of audits.

BUSINESS PERFORMANCE

In this section, we report on the activities and performance of each of our key business segments during 2009.

Corporate Banking

Our Corporate Banking sector continues to make a substantial contribution to the Bank's bottom line. Therefore, continuous emphasis was paid to maintaining and improving our relationships with corporate customers, notwithstanding the climate of challenge that prevailed during the period under review.

The year began on a fairly inauspicious note, with the impact of the global financial crisis and high inflation and interest rates afflicting the domestic market. Recessionary conditions that prevailed in western economies badly affected export volumes and by implication, the revenue levels of many sectors in the country. This resulted in a low appetite for credit during the 1st half of 2009.

The Bank utilised this relatively fallow period to concentrate on educating and training its staff in many areas, including optimal monitoring of our portfolios to maintain a healthy credit portfolio while generating good profits.

Given the inhospitable climate already described, the Bank adopted a stringent approach in terms of selecting credit proposals where risk profile and profitability were carefully evaluated prior to granting approval on such proposals.

In terms of corporate lending, we aimed at expanding sectoral exposure into many areas in an economically favourable and financially viable manner. We afforded preference to sectors such as health care, energy and infrastructure development.

Whilst being conscious of the global economic downturn and its influence on the Sri Lankan economy, the Bank provided continuous support to key sectors of enterprise vital to the country's economic development.

Here are some of the areas we supported:

(a) The Textile and Apparel sector.

(b) Bunkering was another of the priority sectors we concentrated on, in 2009.

(c) Financing for shipbuilding continued in 2009. A highlight of the year was the Bank's financing of the production of two ocean going passenger cum cargo vessels for the export market. One of the vessels, with a capacity for 250 passengers and 100 tons of cargo, was that flagged-off by mid January 2010.

BOC provided this sector with financing to the total value of US$ 46.0 million.

(d) The Bank provided finances for the first exclusive hotel to be opened in the post-war period. Located in Wadduwa and built on a 7-acre extent of land with 12 luxury pavilions, this hotel provides truly an exclusive experience for the up-market tourists. In addition, the Corporate Banking Unit continued to finance projects in the leisure sector in the Maldives. Exposure to tourism industry increased to Rs. 16.8 billion from Rs. 14.4 billion in 2008, a growth of 17%.

Thanks to our focus on continuous improvement in relationship management, we have been able to quicken decision making and credit delivery whilst providing quality customer service thus enabling our Corporate Banking segment to make significant contributions to the Bank's interest and fee-based income.

Off-Shore Banking Unit (OBU) was also privileged to have been associated with a leading apparel company who achieved a gold rating through the LEED Certification process in the New Construction category, issued by the US Green Building Council.

Account management facilities through online, real-time, live system integration were provided to many large corporate customers via a network of 499 customer service points across the island.

BOC was also appointed as a settlement Bank of the Central Depository System for settlement of equity and debt security transactions.

Knowledge Enhancement

The Bank recognises the importance of enhancing and retaining market share in the field of advances and to that end we focussed on training and knowledge enhancement measures for our staff particularly in the areas of Credit Management, Trade Finance and Leadership Building.

These programmes radiated from the Centre to selected provinces where international transactions are being enacted.

In this post war climate, there are many business opportunities emerging in areas such as further development in infrastructure, commercial agriculture and tourism and transportation to name a few.

Another very welcome sign of progress is to be seen from the growing investor confidence in evidence.

Therefore, the year 2010 looks promising.

RETAIL BANKING

During the year under review, the Bank expanded its outreach, increasing customer service points and presence via its branch network, ATMs and extension offices.

In 2009, one new branch was opened, bringing the total number of branches in operation to 310. Similarly, 46 new extension offices were opened, bringing the total available to 192. We also commissioned 78 new ATMs ,bringing the total number of ATM points available at year end to 329.

"Heal The World"
There's A Place In
Your Heart
And I Know That It Is Love
And This Place Could
Be Much
Brighter Than Tomorrow
And If You Really Try
You'll Find There's No Need
To Cry
In This Place You'll Feel
There's No Hurt Or Sorrow

There Are Ways
To Get There
If You Care Enough
For The Living
Make A Little Space
Make A Better Place...

Heal The World
Make It A Better Place
For You And For Me
And The Entire Human Race
There Are People Dying
If You Care Enough
For The Living
Make A Better Place
For You And For Me

If You Want To Know Why
There's A Love That
Cannot Lie
Love's Strong
It Only Cares For
Joyful Giving
If We Try
We Shall See
In This Bliss
We Cannot Feel
Fear Or Dread
We Stop Existing And
Start Living

Excerpt - Heal the World - Michael Jackson

"Heal The World" There's A Place In Your Heart And I Know That It Is Love And This Place Could Be Much Brighter Than Tomorrow And If You Really Try You'll Find There's No Need To Cry In This Place You'll Feel There's No Hurt Or Sorrow There Are Ways To Get There If You Care Enough For The L Cares For Joyful Giving If We Try We Shall See In This Bliss We Cannot Feel Fear Or Dread We Stop Existing And Start Living

iving Make A Little Space Make A Better Place... Heal The World Make It A Better Place For You And For Me And The Entire Human Race There Are People Dying If You Care Enough For The Living Make A Better Place If You Want To Know Why There's A Love That Cannot Lie Love Is Strong It Only

Products and Services

Details of the Bank's existing range of products and services appear on page 107.

During 2009, the Bank introduced the under mentioned products to its customers:

- The BOC An-noor Current Account became the first ever Islamic banking product to be offered by a State bank.
- The Bank's Visa Platinum Smart Card is a premium product purpose designed to become the product of choice for affluent consumers who expect very high levels of service.
- Our Specialised Personal Loan Scheme, Credit Card Facility and Personal Credit Packages for Dental Surgeons are tailored-products for members of the medical/dental professions who are members of the Sri Lanka Medical Council or the Government Dental Surgeons' Association.
- The Bank also launched a special Loan Scheme for members of the Armed Forces in recognition of their yeoman service to the Nation.
- A Credit Scheme embodying concessionary rates was launched for State sector employees to facilitate their transport needs via the purchase of motor cycles.
- The BOC Smart Investor Account is an investment account carrying the features of a savings account as well as that of fixed deposit account. This product allows periodic deposits as in a normal savings account, whilst also offering a guaranteed sum as in a fixed deposit account

Streamlining for Customer Convenience

Consequent to the completion of networking of branches under a single core banking system , the Bank started a Business Re-engineering process with a view to changing the functional structure of the branches.

This change includes re-designing of branch layout with expanded front office, making changes to the prevalent work processes, job description and levels of authority of staff, as well as a centralisation of branch back office functions and similar activities.

The objective of the proposed model is to provide an environment embodying elegant interior appointments complemented by superior customer service offers and a rationalisation of staff deployment. The desired end result is one that ensures enhanced customer convenience, significant cost advantages and an enhancement of productivity delivered enthusiastically by motivated staff.

This programme was first established in branches in 2008. During the year under review, 85 branches were upgraded in the manner described thus bringing the total number of branches streamlined to 178.

Further, 8 branches have been relocated to more suitable locations offering greater customer convenience.

SME AND DEVELOPMENT BANKING

With access opening up to the war torn North and East, much of the Bank's activity in this sector concentrated on bringing much needed services to these regions, thus catalysing a wave of development.

During 2009, the Bank set out to bring banking back to the region and most particularly the peripheries through an innovative social mobilisation programme. This involved the setting up of several small solidarity groups who elect their own hierarchy and promote group savings amongst themselves, helping to build financial strength over time amongst the community.

To date the Bank has been successful in setting up 6000 such groups with a membership of 31,500 and has mobilised total group savings of Rs. 6 million monthly and individual savings of Rs. 17 million monthly.

The BOC also provided extensive assistance to dairy development initiatives in these regions funding areas such as purchase of livestock, upgrading/ installing infrastructure and also providing extension services such as veterinarian services and training among many more. During the year under review, 650 applications for such assistance were processed and funding of Rs. 56 million provided.

In the field of agriculture, the Bank assisted a wide range of crop production in the region, recording a growth in credit disbursements of 87% during the year, which amounted to Rs. 292 million in funding.

With particular reference to the SME sector of the North and the East, the Bank introduced two specially-designed credit schemes to assist a variety of SME enterprise. With re-finance funds from the Central Bank we closed the year seeking re-finance from the CB to a total of Rs. 465 million for 3,745 projects.

Also the Bank acted in partnership with the National Chamber of Commerce to make available credit to help ease working capital crunch in respect of a wide area of SME business activity.

A fuller and more detailed account appears in our Sustainability Review on page 83 of this Report.

TREASURY AND INTERNATIONAL OPERATIONS

Performing well during 2009, the Bank's Treasury and International division was the market leader in terms of providing products and services of eminence and substance to the Sri Lankan market.

A highlight of the year under review was the Bank's ability to raise a syndicated loan of US$ 65 million despite the global economic crisis. The Bank acted as co-arranger with the HSBC to the issue of the Sovereign Bonds of the Government of Sri Lanka whilst it performed the role of paying agent for the designated agent for the Sri Lanka Development Banking Bond issues. At the same time the Bank continued to secure its position of leadership in managing customer bond portfolios in Treasury Bills and Treasury Bonds which amounted to Rs. 150 billion.

In terms of infrastructure, our dealing room was modernised with technological and operational upgrades.

The number of correspondent banks and exchange houses increased by 64 to total 743 in the year under review.

The BOC channelled foreign currency inward remittances to the value of Rs. 166.9 billion into the national coffers. This came about largely as a result of the Bank increasing the number of exchange houses in the Middle East with the appointment of six new representatives.

The Bank also commissioned its foreign currency remittance system in a number of foreign countries where a high concentration of Sri Lankan expatriate workers exists.

The Bank registered a representative office in Italy during the year and also tied up with MoneyGram which is a remittance mechanism covering several major countries of the world.

Inward Remittances

Although inward remittances grew only by a moderate 8.3%, BOC still enjoyed a dominant position in this area of business. A growth of 24.9% in remittances from the Middle East, 16.5% from Europe and 38% growth from Asia provided the positives for the year.

The chart below provides a detailed picture of our performance in this regard.

	2008 Rs. million	2009 Rs. million	Growth %
Middle East	41,776	52,164	24.87
Europe	23,194	27,034	16.56
Africa	474	870	83.54
Asia	20,141	27,828	38.17
Others	68,585	59,007	-13.97
Total	**154,170**	**166,903**	**8.26**

Investment Banking

As Sri Lanka entered a new era of development catalysed by the end of the ethnic conflict, the Government is on a mission to fast track infrastructure development. As a result, the macro-economic fundamentals are getting into good shape.

In order to harvest the benefits of this environment BOC has taken a decision to operate as its own entity in the field of investment banking to be able to gear itself to match the scale of operation envisaged for the future.

Accordingly, an Investment Banking division was established to provide fully-fledged services in this field.

In this context, the Bank participated in the Rights Issue of the Merchant Bank of Sri Lanka (MBSL), a subsidiary of BOC, making a further investment of Rs. 348 million to MBSL.

The BOC increased its holdings in several of its subsidiaries during 2009, through additional investment. The Bank invested a sum of Rs. 60 million in Ceylease Financials and Rs. 26 million in Unit Trust Management (Pvt) Ltd. In the case of the latter, the Bank's holdings increased to 49.6% from 20%.

The process to make our London branch into a fully-fledged subsidiary has seen substantial progress and we expect to complete it in 2010. The progress made has enabled the Bank to expand its activities in the EU region both in conventional and investment banking.

HUMAN RESOURCES

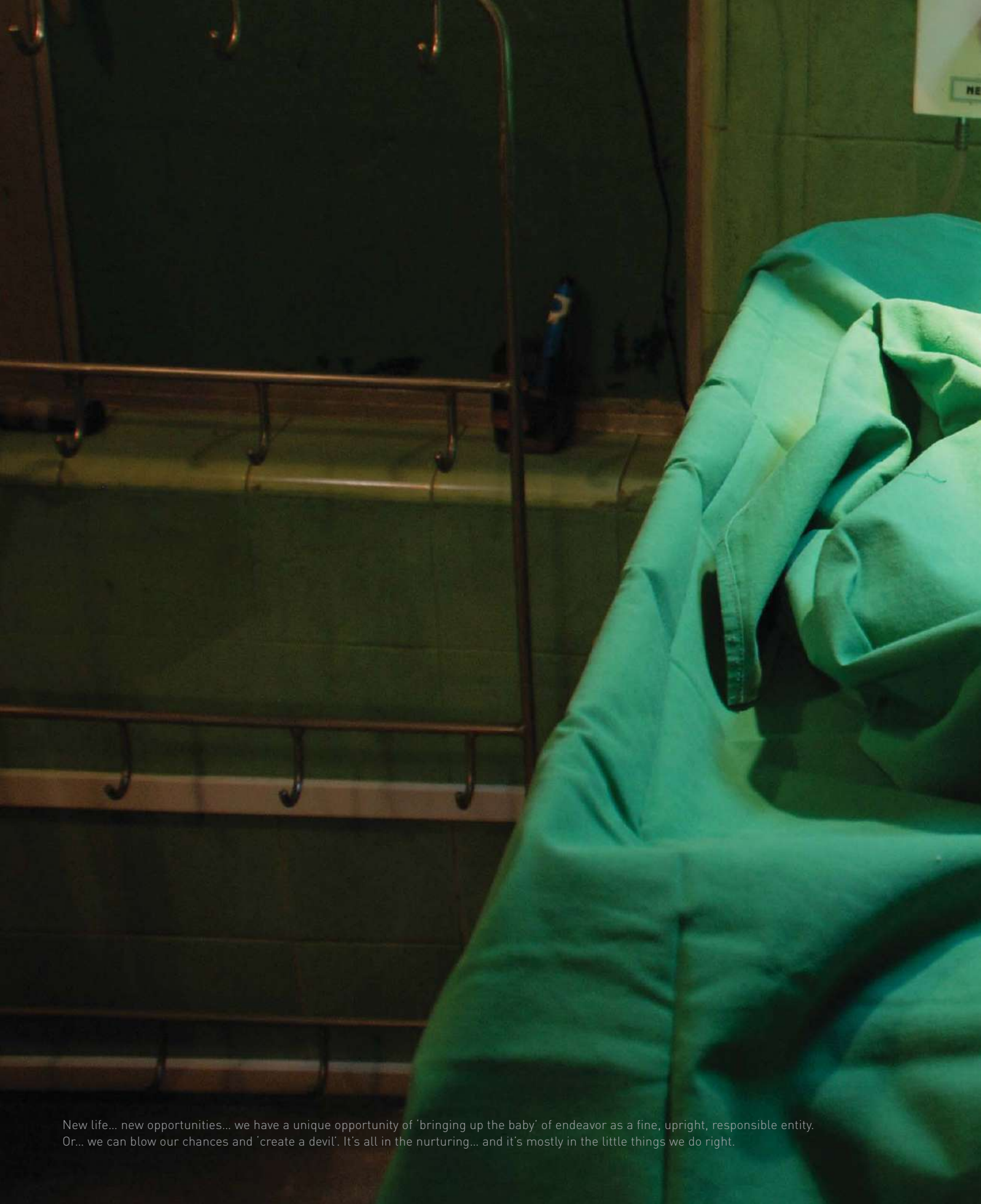
The Bank's total cadre strength stood at 7,538 as at year end 2009. Recruitments for the year at 280 new employees, showed a significant increase over the previous year's figure of 51 employees. In view of the unprecedented growth and development opportunities we expect to unfold over the coming years, the Bank aims to continue substantial recruitment including over 1000 Staff Assistants by 2010.

The BOC's HR processes are governed by a comprehensive regulatory framework including a Recruitment & Promotion Policy/Code of Conduct of Employees and Disciplinary Code.

The Bank also offers a comprehensive portfolio of benefits and welfare measures as well as awards and rewards schemes.

Harmonious relations exist between worker representative Unions and the Bank with the Collective Agreement system working effectively to the benefit of employee and employer.

Fuller details on this subject appear on page 98 of this Report.



New life... new opportunities... we have a unique opportunity of 'bringing up the baby' of endeavor as a fine, upright, responsible entity. Or... we can blow our chances and 'create a devil'. It's all in the nurturing... and it's mostly in the little things we do right.

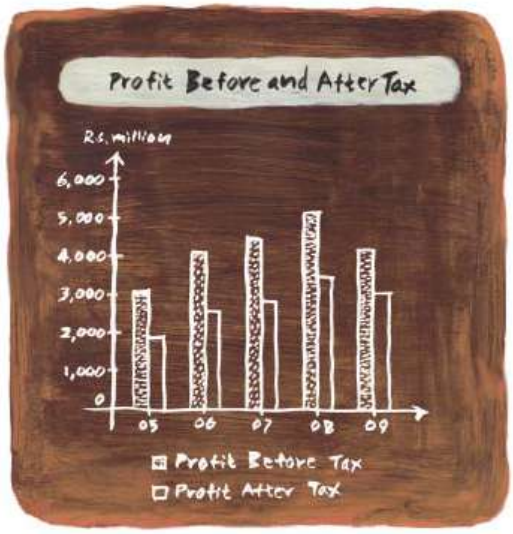
NEW
LIFE
what matters what matters
what matters

FINANCIAL REVIEW

Results of Operations

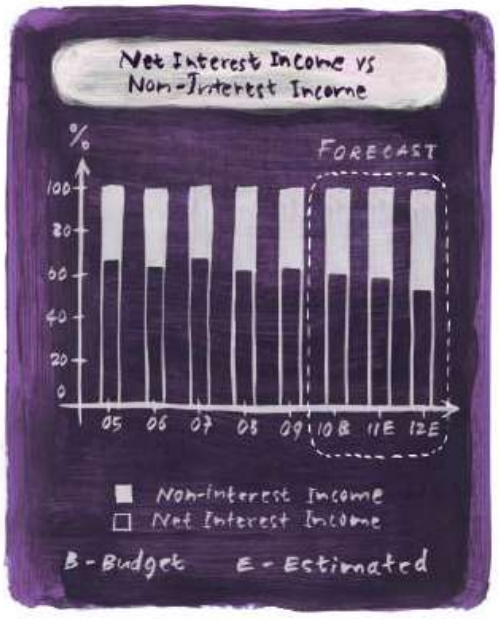
For the year, under review, BOC recorded a profit of Rs. 4,208 million before tax, a 19.6% drop when compared with results for 2008.

During the year, the Bank actively supported the drive to build an investor-friendly interest rate regime. Hence, interest rates were revised downward in a number of instances.



Accordingly, profit after tax too declined by 13.4% Year On Year (Y-O-Y).

Total income increased by 5.4% to Rs. 63.5 billion. Total income recorded a five-year Compounding Annual Growth Rate (CAGR) of 23.4%. Interest income, the main source of income for the Bank, increased to Rs. 53.1 billion, recording a 6.8% increase over 2008. Interest rates decreased dramatically during the second half of the year, and the velocity of the change certainly put pressure on the Net Interest Income (NII), although it did increase by 8.1% on Y-O-Y basis.



Foreign exchange profit was another key source of income for the Bank, signifying its dominance in the foreign currency market. The relative stability of the US Dollar during the year prevented the Bank from earning mark to market gains, hence the current year's gains were not comparatively higher than those of the previous year. Sharp decline in interest rates paved the way for capital gains on bonds, while the stock market turnaround resulted in profitable equity trading. These two factors contributed Rs. 1.4 billion to the total income while year-end mark to market valuation of both equity stocks and bonds amounted to another Rs. 528 million. Though net gains recorded a 238% increase, other operating income recorded a decline of 16.5%.

Operating expenses increased by 12.8% during the period under review, mainly due to increased personnel cost. During the year, the Collective Agreement was renewed which resulted in an upward salary revision and as a result, personnel cost increased by 16.2%. Revision of salaries occurs every three years, as 98.4% employees are covered with collective agreements with trade unions. Maintenance cost of fixed assets was contained to a moderate growth of 4.3% while other operating expenses increased by 20.5% mainly due to increased advertising expenses.

Provision for loan losses decreased due to reduction in general provision. Specific provision and recoveries remained at almost the same levels as in 2008. Provisioning was low notwithstanding the increase in non performing loans mainly due to the high collateral quality of the loan portfolio.

The table appearing below summarises the performance of the Bank. The table also contains a comparison of the Bank's 5-year Compound Annual Growth Rate (CAGR) with that of the industry. Industry details contained in these tables are reasonable estimates made by the Bank of Ceylon as at the time of writing this Annual Report. The table also provides projections for the next three years.

Rs. million	2008	2009	Growth 2009/2008	5 year CAGR	Industry CAGR	Forecast 2010B	2011E	2012E
Total income/revenue	60,182	63,461	5.4%	23.4%	29.7%	62,225	79,655	101,657
Net interest income	13,695	14,810	8.1%	12.1%	17.5%	18,736	23,007	24,973
Other income	8,269	8,352	1.0%	15.7%	17.7%	11,815	16,460	21,617
Operating income	21,964	23,162	5.5%	13.4%	20.8%	30,551	39,467	46,590
Operating expenses including VAT	(15,959)	(18,653)	16.9%	14.1%	NA	(21,169)	(24,280)	(30,083)
Profit before provision + Recovery NPA	9,679	9,004	-7.0%	15.5%	NA	9,382	15,188	16,508
Provision for loan losses	(2,374)	(1,802)	-24.1%	3.2%	15.9%	(2,242)	(6,616)	(5,872)
Profit before tax	5,231	4,208	-19.6%	8.6%	19.1%	7,140	8,571	10,635
Income tax	(1,670)	(1,124)	-32.7%	-2.1%	27.3%	(2,499)	(3,000)	(3,722)
Profit after tax	3,561	3,084	-13.4%	12.9%	14.3%	4,641	5,571	6,913
Earning per share (Rs.)	712	617	-13.4%	6.8%	NA	928	1,714	2,128

The table appearing below summarises salient Balance Sheet information.

Rs. million	2008	2009	Growth YoY	5 year CAGR	Industry CAGR	Forecast 2010B	2011E	2012E
Total assets	484,376	538,241	11.1%	13.9%	14.2%	625,376	781,177	990,899
Total loans - Gross	280,879	275,022	-2.1%	11.8%	12.0%	365,085	467,197	617,708
Total deposits	316,070	408,607	29.3%	15.1%	15.5%	499,545	601,046	725,114
Equity	23,102	24,899	7.8%	11.1%	15.9%	28,315	32,451	37,529
Off-Balance Sheets items	164,813	246,245	49.4%	32.4%	29.1%	312,688	390,589	495,450
Non performing loans and advances	13,816	15,542	12.5%	5.6%	20.4%	16,504	18,565	20,837
Total provision (specific and general)	9,774	9,957	1.9%	-0.9%	9.8%	11,041	14,516	16,603

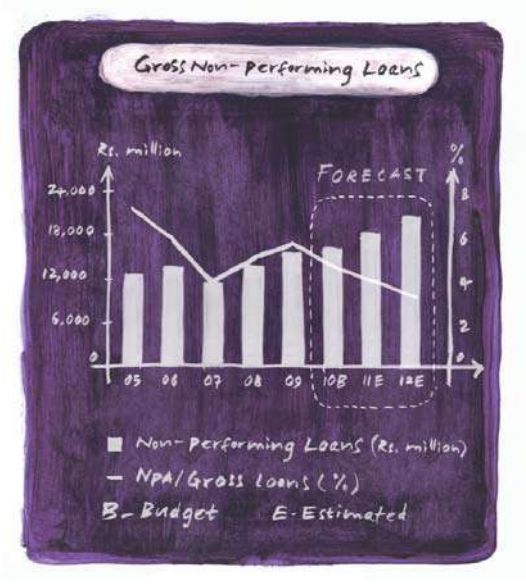
B - Budget *E - Estimated*

The return on the trading portfolio for the year under review was impressive as a result of the rapid recovery of the Colombo Stock Exchange. The average rate of return of the trading portfolio for the year was 85%. The Bank's performance in the area of strategic investment, which includes investment in associates and subsidiaries, recorded a slightly lower performance mainly due to the loss incurred by Ceylease Financial Services Limited in which the Bank holds a 55% interest.

Our Financial Position

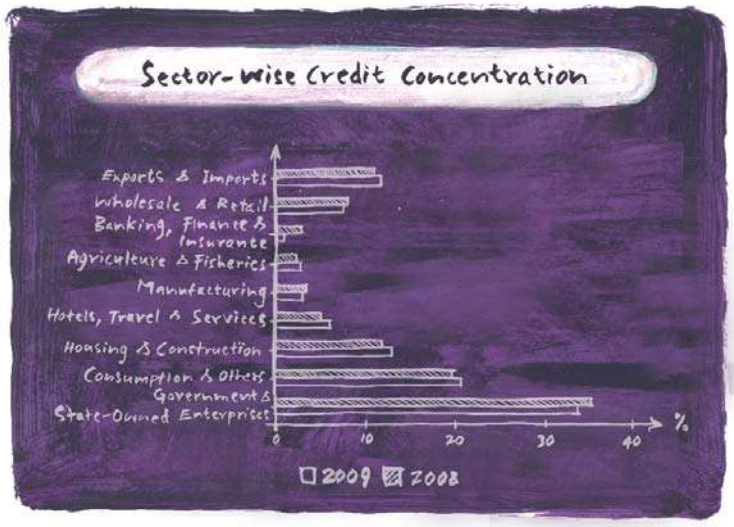
For the first time in Sri Lanka's banking history, BOC's total assets crossed the half trillion mark, reaching Rs. 538 billion, reflecting the position of dominance the Bank of Ceylon enjoys in the industry, and its superior capability to withstand competitive pressure. Consolidating its position as the No. 1 Sri Lankan Bank, total assets grew by 11.1%, recording a 13.9% 5-year CAGR, falling just below the industry CAGR of 14.2%.

The loan portfolio however experienced a contraction of 2.1% Y-O-Y, which was observed across the industry. The negative growth from foreign currency term loans was due to partial settlement of loans to the GOSL and leasing, where the Bank decided to reduce its exposure. Bills of Exchange remained flat as Defence Bills were partially settled in September 2009. Sri Lanka Rupee loans and advances recorded a 5% increase, with term loans leading the way. Trade finance and overdrafts recorded a slight reduction, while developmental lending remained flat throughout the year.



Asset Quality

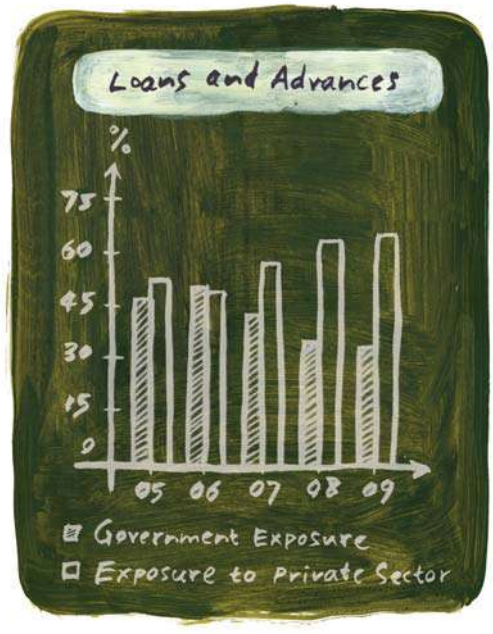
Moderate asset growth caused the Bank to focus its attention on asset quality and concentrate on recoveries of Non Performing Advances (NPA). However, the increasing trend of NPA in the industry over the past two years was reflected in BOC's results too, as our NPA increased from Rs. 13.8 billion to Rs. 15.5 billion while the NPA ratio increased to 5.65% from 4.92%. Nevertheless, our NPA ratio is well below the industry ratio which is over 8.0% (the industry average quoted herein is an estimate by BOC). The establishment of the Independent Integrated Risk Management Unit in 2009 ensured a continuous review of policy guidelines and structures during the year, which certainly helped our drive for better asset quality, setting a target of bringing the NPA ratio below 4% by 2012.

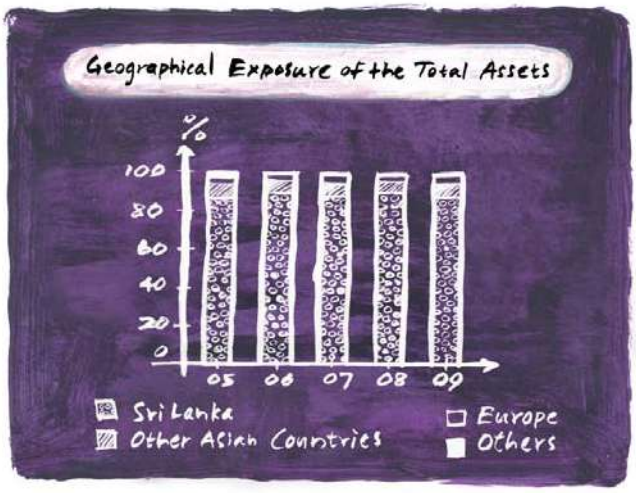


The Bank has been focusing on sectoral exposure throughout the past decade in order to avoid any undue shocks. Yet the exposure to the Government of Sri Lanka which holds a 33.8% component of the loan book, including lending to State-Own Enterprises (SOEs) constitutes both a strength to BOC in terms of assets quality as well as a concern over the single borrower dependence. Loans and advances to the GOSL have been decreasing over the past two years.

Except in the case of the Government, the Bank does not experience significant exposure to any sector.

BOC is the leading credit provider to offshore customers; hence the Bank carries 28% of its loans in foreign currency. The credit exposure of the three overseas branches is less than 2% of the total loan book.



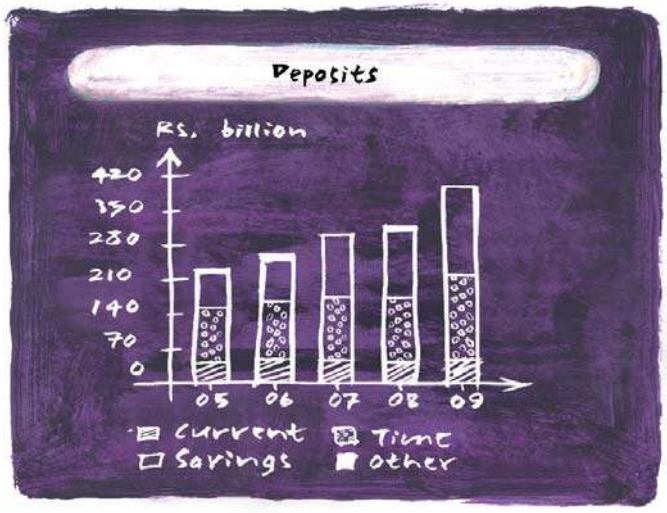


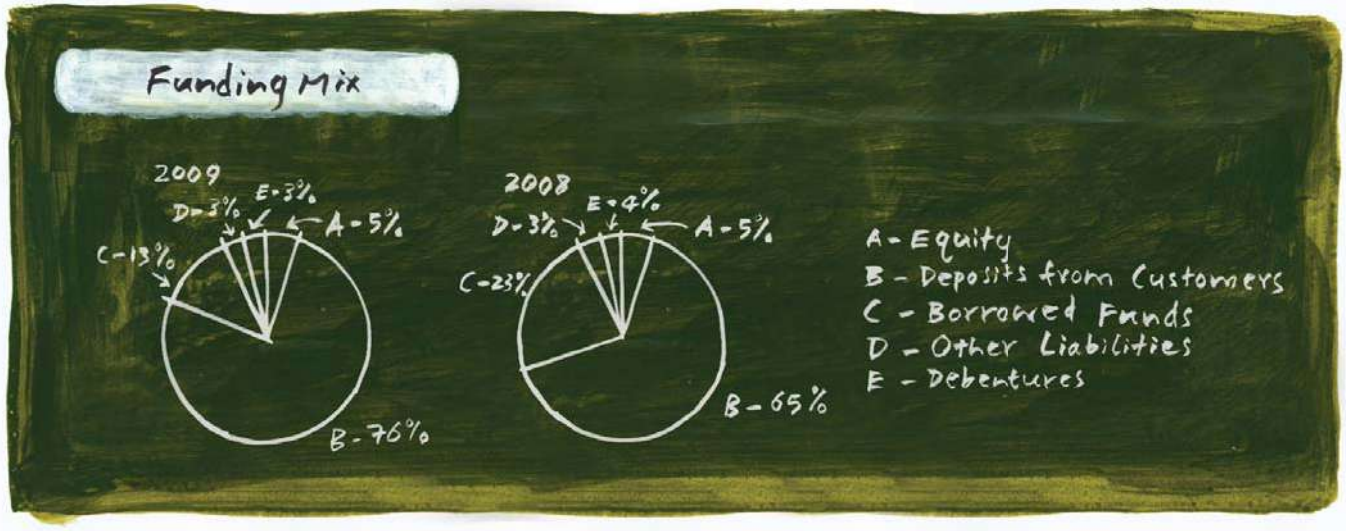
Funding Capital and our Capacity to Grow

Deposits were flowing in during 2009, which enabled the Bank to record a growth of 29.3% Y-O-Y, whilst also contributing to a 5-year CAGR of 15.1%. In terms of liability, the influx of deposits yielded a reduction in borrowings, which prompted the Bank to focus on its funding mix more stringently. Borrowings decreased to Rs. 85.3 billion, from Rs. 129.1 billion in the previous year, a 33.9% decrease.

Shareholders' Equity grew only by 7.8% with the CAGR for the last five years falling below the estimated industry average of 15.9% to 11.1%. The industry growth of the equity is mainly due to the fresh capital injections through Rights Issues.

A significant portion of the Bank's funding, 76% in quantum, came from customer deposits in 2009. This is an increase compared to the results of 2008, of 65%. This provides greater opportunity for the Bank to further diversify its funding base with an eye on future operations. Total equity of the Bank stood at Rs. 24.9 billion with a strong capital adequacy ratio of 14.16%. This is testimony to the fact that the Bank is well capitalised to successfully negotiate a substantial growth in the risk assets going into the future. In terms of the capacity to grow the assets, we believe BOC has the highest potential for volume growth in the Sri Lankan banking industry.



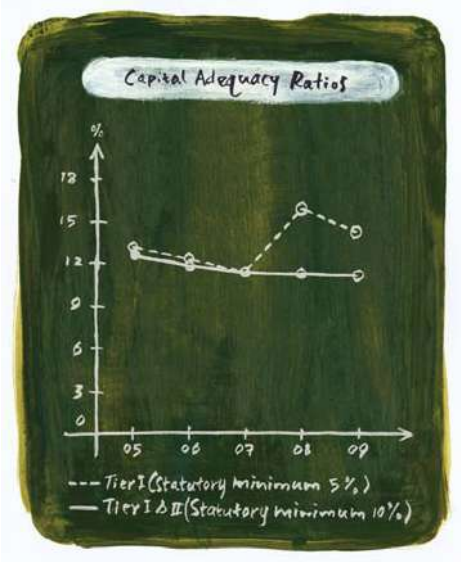


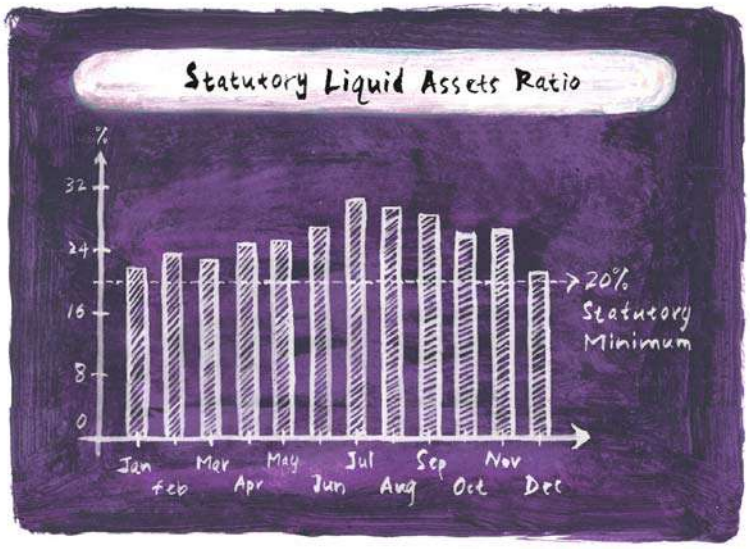
The Bank has promulgated a comprehensive funding and capitalisation plan coupled with a capital management strategy to accommodate its future capitalisation and funding requirements. The Bank's strategy focuses on further diversification of its funding base to reduce its dependence on customer deposits.

Liquidity

In early 2009, the Bank had been operating with severe liquidity difficulties as the impact of the global downturn took its toll, thereby resulting in a reduction in liquid assets. Thereafter, the situation improved as a result of the flood of customer deposits the Bank received from the end of the second quarter onwards. Despite all these challenges, the Bank was able to manage its liquidity requirements and its liquidity ratio, which towards the middle of the year reached almost 30%, to be well above the Central Bank's stipulated minimum. Towards the end of the year, a situation of excess liquidity was once again foreseen and steps were taken to rationalise deposit taking to avoid such a situation.

	2004 Rs. million	2005 Rs. million	2006 Rs. million	2007 Rs. million	2008 Rs. million	2009 Rs. million
Cash and short term funds	5,584	6,127	7,790	9,245	10,168	13,509
Treasury Bills, Bonds and other eligible bills maturing within 12 months	25,502	41,366	45,808	39,205	27,707	35,350
Placements with and loans to other banks	27,362	36,851	23,735	19,722	16,403	45,867
Liquid assets	58,448	84,344	77,333	68,171	54,278	94,726
Borrowing excl. refinance and debentures	31,740	57,398	79,420	81,220	106,390	62,410
Net liquid assets	26,708	26,940	(2,087)	(13,049)	(52,112)	34,733





Quarterly Performance

The Bank's performance did not proceed in even tenor throughout 2009. Profits decreased on Quarter On Quarter (Q-O-Q) basis up to the third quarter, and then took a sharp upturn led by increased revenue.

An increase in gross loans was seen in the first quarter, before reducing towards the end of the year. During this period as borrowers were cautious gross loans remained flat.

Customer deposits soared during the second and third quarters, but did not maintain the same pace into the last quarter. The Bank's strategy discouraged large corporate deposits as a short term strategy in the fourth quarter in order to arrest excess liquidity situation. The strategy was successful resulting in slow deposit growth in the fourth quarter whilst our liquidity position was optimised.

The BOC was the first financial institution to raise deposits from people in the IDP camps, immediately after the cessation of war in May 2009.

The strain in the informal financial markets occasioned by the failure of some institutions and the resultant loss of confidence amongst the public augured well for BOC, as with our strong market credibility and stability, we were able to secure deposits from customers as a clear measure of preference of the public.

	Q1 Rs. million	Q2 Rs. million	Q3 Rs. million	Q4 Rs. million
Turnover	15,959	16,188	15,200	16,113
Net interest income	3,405	3,750	3,204	4,451
Other operating income	2,505	2,629	2,051	1,700
Profit before tax	1,430	1,277	311	1,190
Total assets	493,293	493,829	534,110	538,241
Total loans Gross	284,271	271,234	275,334	275,022
Total deposits	332,313	359,023	399,245	408,607
Equity	23,909	24,439	23,819	24,899
Off-Balance Sheets items	174,056	213,420	271,704	246,245

Cost, Yield and Margins

Tight liquidity, which had prevailed over the last two years, continued into the first half of 2009. The re-opening of the CBSL repurchase window immediately after the end of war in May, coupled with low cost deposits replacing high cost borrowings certainly eased pressure. However, Net Interest Margin and Net Interest Spread continued to decrease Y-O-Y, signifying the fact that lending rates fell more steeply than deposit and borrowing rates. The downward interest rate revision in an effort of building a low interest rate regime in the country resulted in a reduced net interest margin during the year.

	2008	2009	Forecast 2010B	2011E	2012E
Yield on loans and advances	12.5%	13.9%	11.1%	11.2%	11.3%
Yield on other interest earning assets	11.8%	8.6%	7.1%	7.6%	7.5%
Gross yield on interest earning loans and assets	12.2%	11.7%	9.5%	10.0%	10.1%
Cost on deposits	6.7%	7.3%	5.7%	5.7%	6.0%
Cost on other interest-bearing liabilities	13.5%	11.1%	7.1%	9.2%	10.0%
Gross funding cost	8.5%	8.2%	5.9%	6.2%	6.7%
Interest Spread (Note 1)	3.7%	3.5%	3.6%	3.7%	3.4%
Net interest margin (Note 2)	3.4%	3.3%	3.5%	3.6%	3.2%

Note 1 : The gross yield on interest earning assets less gross funding cost

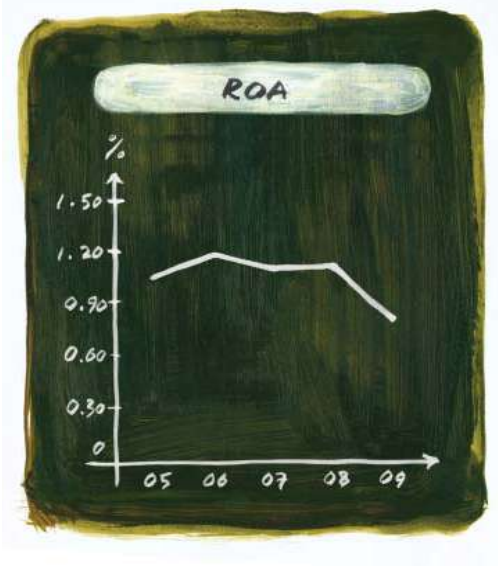
Note 2 : Net interest income/average interest earning assets

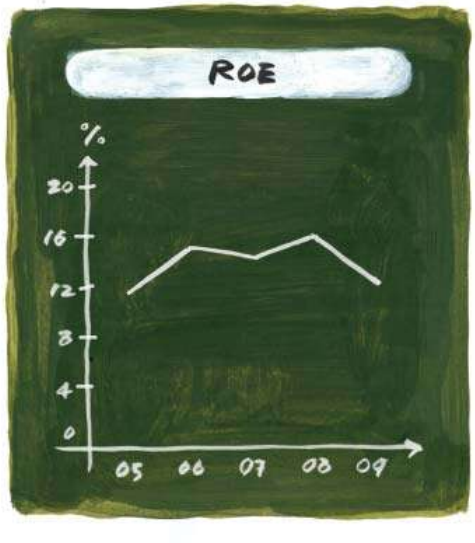
Profitability and Efficiency

Profitability, as measured by Return on Average Assets (RoAA) and Return on Average Equity (RoAE) was 0.82% and 12.85% respectively for 2009. We estimate that this is below the market average mainly due to the fact that there was no credit appetite in the market to an extent sufficient to profitably deploy the deposits that were flowing in. This led to a situation where either the Bank was not able to optimally utilise funds or such funds were yielding lower returns.

The Bank's Cost to Income ratio is falling sharply. Though recording a moderate increase Y-O-Y, it is set to decrease in the future, driven by the expected economies of scale that the Bank will be harnessing The principal reason for the increase in Cost to Income ratio during the year was the increase in staff cost.

Other efficiency ratios, such as Profit per Employee and Assets per Employee are on the rise indicating that the BOC is moving towards higher efficiency in operations. Substantial automation employed in the processes of reconciliations and back office affairs, plus the implementation of the core banking system and its roll over to the island-wide branch network has reaped operating efficiencies.





Going forward, the Bank expects a considerable breakthrough in revenue diversification as it has already taken the steps necessary to strengthen its investment banking arm and has already applied for a separate banking license in the United Kingdom (UK) which will provide a gateway for much needed expansion in the European Union.

In addition, the Bank also wishes to strengthen its presence in capital market operations in the years to come.

These new avenues will produce fee-based income which is capital-friendly and reduce the over-dependence on fund-based income. As the asset quality is far more efficient in off-balance sheet facilities than on balance sheet facilities, it certainly helps the Bank to increase efficiency on income generation.

Capital Expenditure

The Bank continued to enhance capacity and customer convenience by investing substantial amounts on equipment, vehicles, relocation/ refurbishments of branches, etc. during 2009. The amount thus spent during the year was Rs. 1,446 million.

INFORMATION TECHNOLOGY

The strength of BOC's IT platform has enabled us to make several improvements to products and services during 2009. Here are some of our initiatives in this regard:

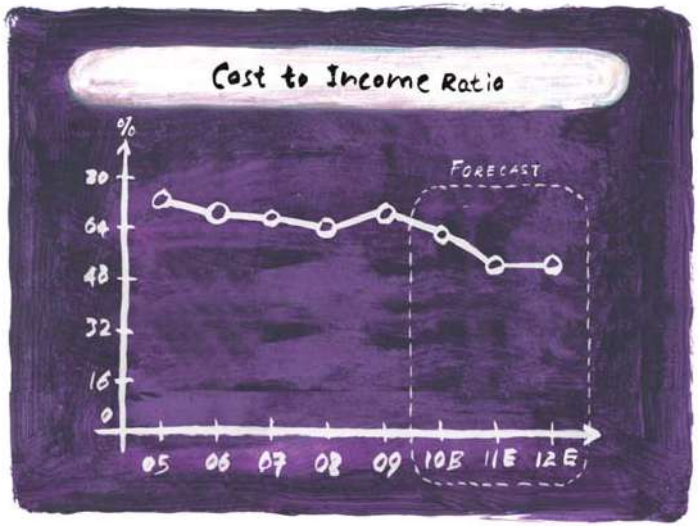
The implementation of the Bank's remittance product, BOC e-Cash in exchange houses in Qatar, Jordan, Kuwait, and Israel contributed immensely to increased inward remittances in the year 2009. Also, BOC e-Cash was upgraded to a web-based, real time online system which has the capability to receive remittances from any country in the world through agents registered with the Bank. The beneficiary's account is credited immediately with the remittances received from various channels. The Bank was also successful in receiving remittances in Euros through the implementation of this new delivery channel.

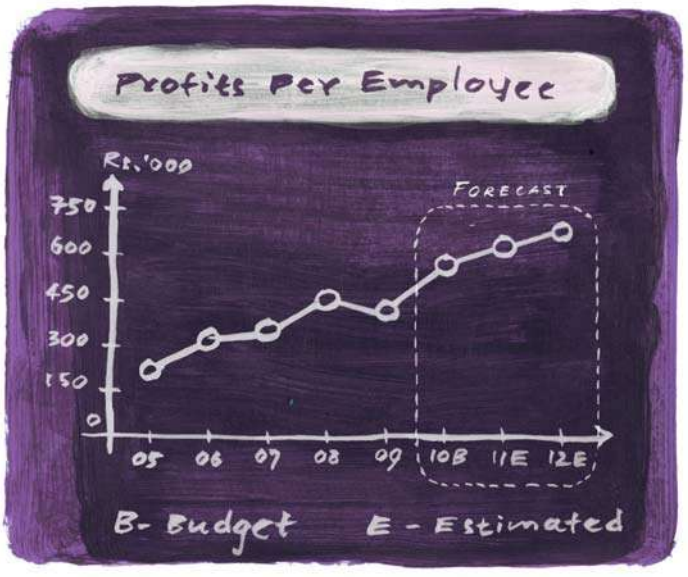
Internet banking was enhanced to facilitate payment of utility bills and also to view and download past transactions of NRFC and Fixed Deposit accounts.

With the introduction of internet banking at our Male Branch, customers are now able to engage in internet banking in Male Rufiaa. Backup servers were installed to support Internet banking and multi-delivery channel products to ensure uninterrupted service to the customer.

During the year 2009, the Bank's pawning system was improved to be able to yield multiple access to the system within a branch for a number of users. The former system operated as a stand alone process.

Content management sites were introduced through the Bank's intranet system, Boc *i* Net. This system facilitates the publishing and retrieval of information shared within the organisation. Enhancements were made to streamline operations of the internal system thus minimising manual work and increasing efficiency.





Our IT platform also supported various requirements of our corporate customers. Online real time payment facilities were provided to telecom service providers and insurance companies with capacity to update their clients' accounts directly, thus enabling them to serve their clients with enhanced products. Corporate customers of our Male branch are provided with multi-currency payment and fund transfer facility.

During the year 2009, BOC while continuing to acquire chip-based credit cards (EMV compliant), has implemented the issuance of EMV compliant chip cards providing maximum security to credit card transactions, whilst complying with international security standards.

Network and data security infrastructure was upgraded, and outdated equipment was replaced with the latest technology in order to provide efficient service and maximum security. The present data traffic is encrypted end-to-end, minimising many areas of vulnerability. With many redundant features, down times are minimised. Enhanced monitoring and network management features are able to provide better facilities. These enhancements paved the way to introduce new banking services, delivery channels and to expand branch network and ATM locations.

The Bank was able to roll over the core banking application - ICBS and other online applications including ATM facilities in remote branches and extension offices to the benefit of customers in remote areas. IDP camps could enjoy many banking facilities available in Colombo. Operations of the branches such as Kilinochchi, Mankulam and Mullaithivu were linked to the central computer system and the deployment of ICBS in all 307 domestic branches and including the Male branch that was completed during the year. 46 extension offices were also automated and linked to ICBS and total network increased to 471 locations. Additionally, the Bank was able to restructure and enhance its branches thus improving customer access.

During the year, the expansion of BOC ATM network that we were able to achieve, was remarkable. 78 ATMs were installed island-wide, thus making a total of 329 ATMs operating within the country. Our card using customer base substantially increased and with improved customer service, branch counter queues were reduced.

In the year 2009, improvement to the centralised production and back-up systems was made in order to support business growth. This upgrade has stabilised the process and provided efficient, uninterrupted customer service.

OUR STRATEGY FOR 2010 AND BEYOND

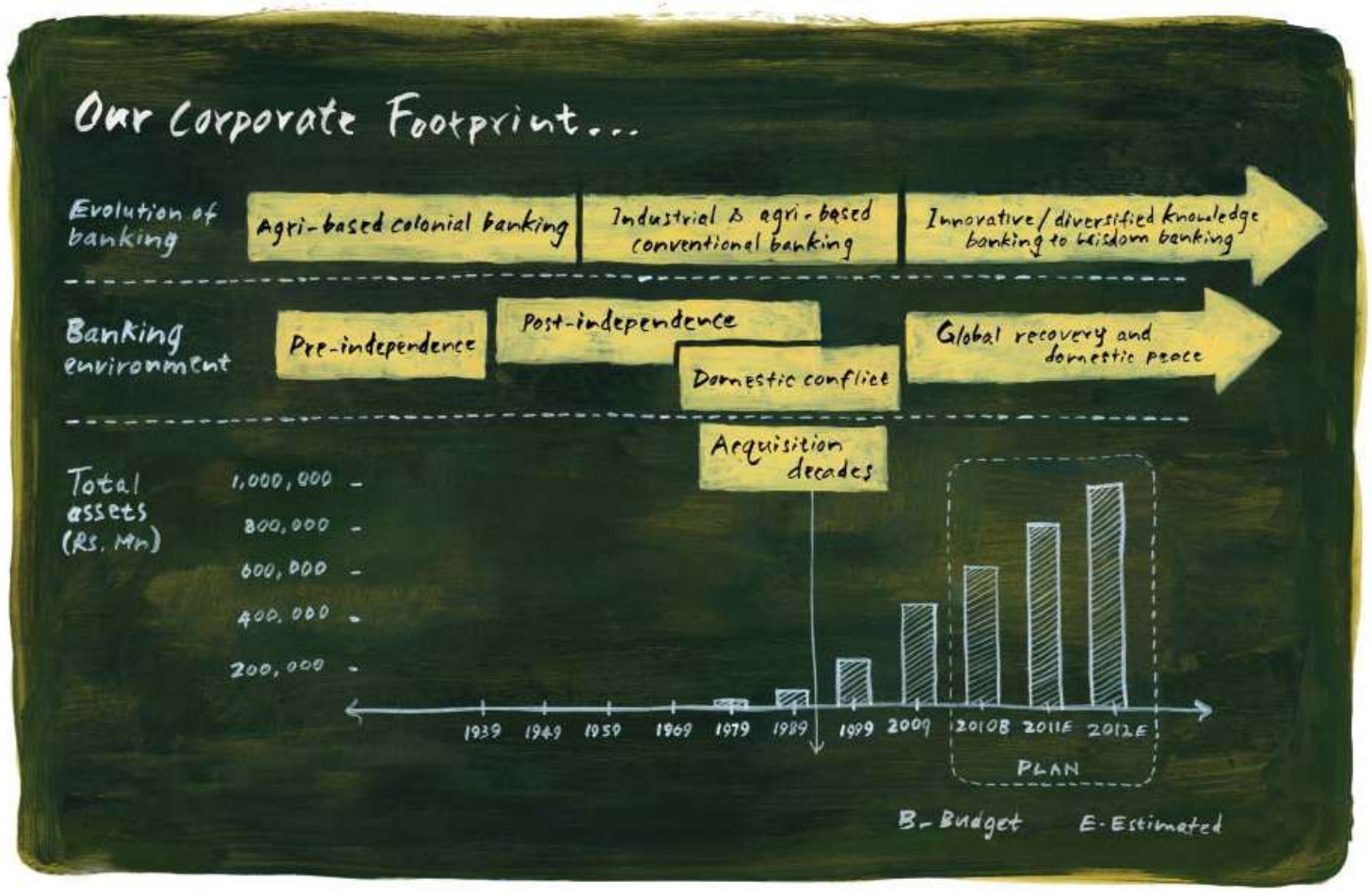
As the theme of our Annual Report suggests, Sri Lanka is poised at the threshold of an era of unimaginable opportunity. We have to look long and hard at - who we are, what we are, and whether we are who we should be, in taking a firm grip on future opportunities that will arise in the years ahead.

Whilst the Bank has successfully traversed many evolutionary eras in banking, the future of banking will continue to evolve, change and be different to the status quo of today. We may postulate that we are in the knowledge era now and are moving into the wisdom era of human evolution. Hence, evolving changes to the 'shape' of banking and the rules on the ground will present a complete learning curve yet to be experienced by banks of the day.

The Bank of Ceylon is laying the foundation for yet another proud journey of success through this fast-changing environment.

Our Corporate Footprint

The chart below serves to map BOC's progress over the years against parameters such as the manner in which banking has evolved in Sri Lanka across defined eras and the banking environment across key time lines in history. It also depicts the goals set in terms of achieving a target of Rs. 1 trillion in Total Assets and the ambitious yet highly determined growth expected as a result of the fruition of its new Corporate Plan over the years 2010 to 2012.



What matters is not the load...

not even how heavy it is. What matters is what we carry... hopes, aspirations, hearts desires, business options, national development... what should matter is how capable the Bank is to shoulder this load into the future.

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Our Strategy Map

Our strategy map depicted, provided the foundation for the evolution of our new Corporate Plan.

Our Strategy Map...

Strategic Themes

Inorganic growth

Focus on strengthening the existing affiliates

Focus on aquisition opportunities

Revitalise existing Strategic investments- expand or exit etc.

Strong organic domestic - focused growth

Increased focus on deposit growth and cautious growth of credit

Gain specialised skills to offer diversified banking solutions

Increase market share and diversify revenue

Reach to Rs. One trillion Balance Sheet

Develop, acquire or partner with specialist capability

Establish "tailored" Investment Banking Capabilities

Explore JV with private Banks & insurance firms

Integrate into the confederation

Attract and retain top talent and remain efficient

Build benchmark strength across Bank of Ceylon, associates, subsidiaries and in specialist entities

Attract the best talents and develop existing talents

Develop efficiency benchmark

Fast track employees and establish performance based rewards culture

HR policies to transform in to a selling culture

Synergies through improved Services

Improve Operating model by technology to deliver strategic cost savings

Improve processes through ISO documentation

Rationalise the cost structure to establish cost ownership culture

Good governance, organisation and risk Management

Establish governance Structure and management culture that empower businesses to grow and manage risk, share knowledge whilst recognising and respecting the legal framework

The juxtaposition of two very significant events in 2009 holds promise for the Bank. Firstly, the terrorist conflict in Sri Lanka was brought to an end in May whilst the recession that has afflicted global economies is showing signs of easing.

Firm in the belief that Sri Lanka is entering a decade of economic renaissance, the Bank has developed a completely new corporate plan to drive enterprise over the next three years. Considering that 2010 is a take-off year, the Bank has laid down a very ambitious plan, setting a new direction.

The new direction increasingly focuses on domestic banking needs in the post-war economy as part of our national responsibility to build a banking platform conducive to enhanced investment and economic development. The Strategy Map featured above, displays the overall strategy that the Bank is pursuing into the future.

Our Specialist Capability Map

In achieving the goals envisioned in our strategy, we foresee a substantial skill gap in Sri Lanka's banking sector compared with developed economies. The skill gaps need to be bridged as a medium term solution and the Bank has identified the following special capabilities that we need to attract and develop in the years ahead.

We wish to explain the top strap line appearing on the charts featured above.

The legend reads - 'BOC One 10 Twelve Renaissance'. This signifies the Bank's planned strategy which should lead it to achieve Rs. One Trillion in Assets and Rs. 10 Billion in Profits by the year Two Thousand and Twelve. The word Renaissance signifies the quantum leap we've set for ourselves and also describes the period of opportunity, change and growth that Sri Lanka can expect.

These 'Key Indicators' are consonant with the provisions of our Corporate Plan up to the year 2012.

GOALS FOR 2010 & BEYOND

Outlook

During the period 2010-2012, Sri Lanka would bank on the flow of local peace dividends and the progression of the global economic recovery.

In the immediate to medium term, the tourism, agriculture and fisheries sectors are expected to expedite new opportunities and consolidate growth, with the return of peace, opening up approximately 2/3 of the country's coastal belt and a further 1/4 in land mass, for economic activity.

In the medium term, reconstruction of damaged infrastructure in the North and the East and expedited infrastructure investments in the rest of the country will provide impetus for growth. The country's literate, trainable labour force and the liberalised IT environment would also encourage new ventures in communication and information technology.

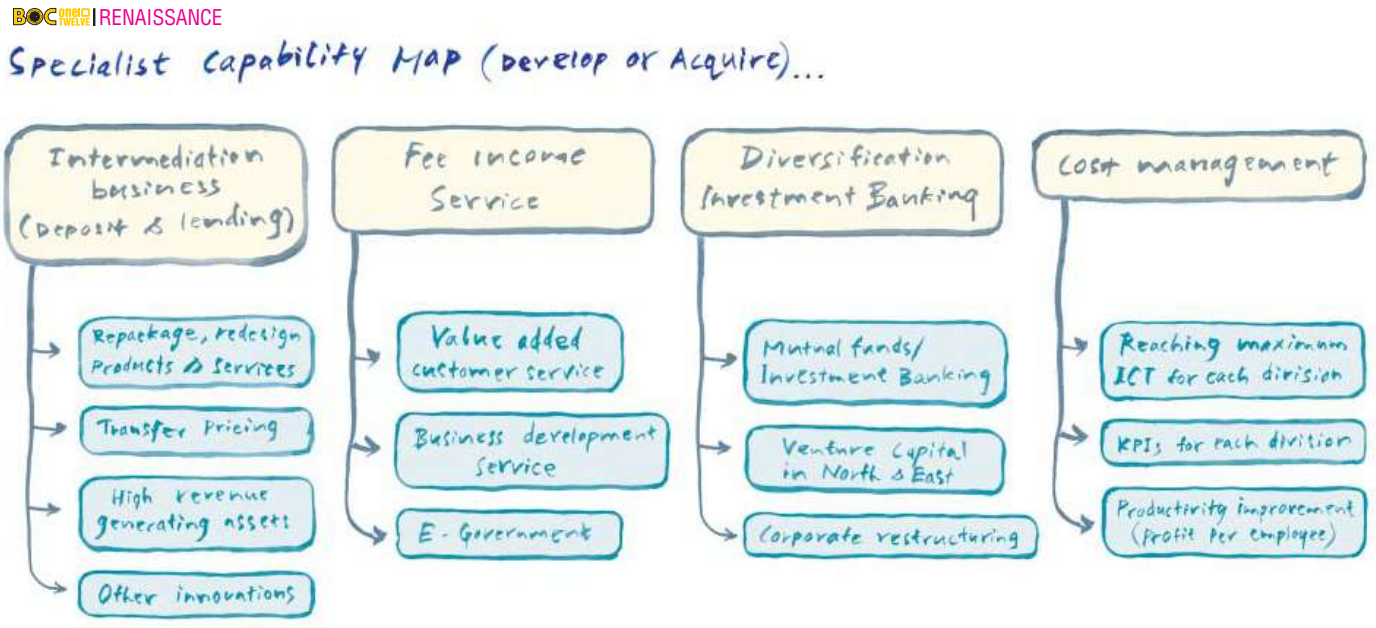
Improved business confidence should prove to be a catalyst in generating enhanced levels of local and foreign investment. The investments would be a key factor in helping the Government deliver on its vision, to make Sri Lanka the miracle of Asia. The Bank of Ceylon is fully geared and building capacities required such as bridging perceived skill gaps, to take maximum advantage of the opportunities that have begun to flow as we position the Bank, its customers and the Nation to reap the benefits of the new economic era unfolding.

Committed to the Development of the North and the East

As has already been reported, the war left two thirds of Sri Lanka's coastal belt in the North and the East under-developed and largely untapped in potential and resources.

The BOC is of the view that future growth in this context will significantly be domestic-based and the Northern and the Eastern Provinces will be at the centre of development, especially in the areas of tourism, agriculture, dairy, animal husbandry and infrastructure development.

In such a scenario and in our desire to support the Government's mandate of bringing development to all areas of the country, we believe that BOC has a significant role to play in these endeavours, through a commitment to unearth and resuscitate dormant economic power in these regions.



It's a 'hamburger, lettuce and ketchup world' after all.... where consumerism is god. Man is so caught up in this 'world' that if he were to fashion a 'monument to the times', this is how it'll look! BUT...what should really matters is that too much attachment to anything is bad... too much attachment to consumerism is worse! Our question...

how do we rate?

CORPORATE GOVERNANCE

Bank of Ceylon pursues a strategy of being in line with best practices in respect of Corporate Governance. It believes that complying with laws and regulations on Corporate Governance as the critical success factor of a sound control environment, which will improve operational efficiency and enhance the brand image. A sound system of governance is also fundamental in attracting and maintaining public confidence in the institution especially because it is a Government-owned enterprise. The pivotal and dominant role the Bank plays in the Sri Lanka economy carrying substantial influence and leadership over many matters of policy and practice are other reasons for the importance of good governance and for it to be a guiding framework for the future.

APPLICABLE RULES

The statement below describes briefly the structure, processes and procedures of governance at the Bank including details of compliance with:

- the Banking Act Direction No. 11 of 2007 issued by the Central Bank of Sri Lanka on Corporate Governance for Licensed Commercial Banks in Sri Lanka,
- the Listing Rules of the Colombo Stock Exchange, and
- the Code of Best Practice on Corporate Governance issued jointly by the Securities & Exchange Commission of Sri Lanka and The Institute of Chartered Accountants of Sri Lanka which is not a mandatory code.

The Board has taken steps to comply with the directions of Central Bank of Sri Lanka to the extent that they are not inconsistent with the Bank of Ceylon Ordinance (Chapter 397) and its amendments, the statute governing the Bank as provided for in the aforesaid Banking Act Direction No. 11 of 2007.

IMPLEMENTATION MODE

Conscious of the many roles of the Government in the life of the Bank as Owner, Customer, Regulator and Auditor, the Nomination and Corporate Governance Committee, which is a subcommittee of the Board primarily focuses on the implementation of the Directions/Rules issued by the Central Bank of Sri Lanka and the Colombo Stock Exchange on Corporate Governance. Significant details of the Nomination & Corporate Governance Committee together with its activities are indicated in the section on Subcommittees of the Board given on pages 58 to 61 in this Annual Report.

THE BOARD OF DIRECTORS

Appointment

Bank of Ceylon is a licensed commercial bank established under a statute of Parliament viz. Bank of Ceylon Ordinance (Chapter 397) and its amendments. The Government of Sri Lanka holds the shares of Bank of Ceylon. As a wholly-owned state banking corporation and as empowered by the said Bank of Ceylon Ordinance, the Minister in charge of the subject of Finance appoints the Directors of Bank of Ceylon numbering 06. One of such Directors shall be a representative of the Ministry in charge of the subject of Finance and is referred to as the ex officio Director. The Minister shall appoint one of the appointed Directors as Chairman of the Board.

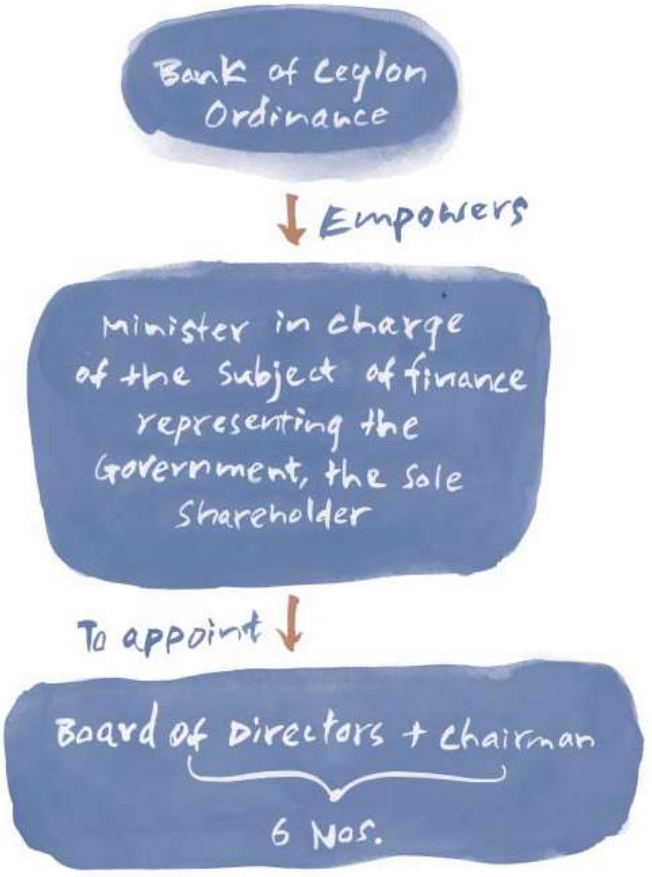


Figure 1:
How Directors are appointed

Every Director can hold office for a period of 3 years, and is eligible for reappointment. If any appointed Director is temporarily unable to discharge the duties of his office on account of ill health, or absence from Sri Lanka, or any other cause, the Minister may appoint some other person to act as a Director in his place. In the case of the ex officio Director, if he is unable to attend any meeting of the Board, he may authorise any other officer to be present on his behalf at such meeting.

Composition

The following served as Directors of the Bank during the year 2009:

(i) Dr. Gamini Wickramasinghe - *Chairman*

(ii) Dr. R H S Samaratunga - *Ex officio Director (representative of the Ministry in charge of the subject of Finance)*

(iii) Mr. G K A Chaminda K Kularatne - *Director*

(iv) Mr. Raju Sivaraman - *Director*

(v) Mr. Gunaratna Gallage - *Director*

(vi) Dr. Buddhadasa Kaluarachchi- *Director*

(vii) Mr. V Kanagasabapathy - *Alternate Director to ex officio Director*

Non-Executive Directors

All the Directors of Bank of Ceylon carry no executive authority and do not participate in the day-to-day business of the Bank and are hence Non-Executive. Accordingly, the decisions taken by the Board are more in keeping with the aims of good Corporate Governance.

Independent Directors

The Directors of the Bank are also subjected to the tests of independence imposed by the Banking Act Direction No. 11 of 2007 issued by the Central Bank of Sri Lanka and the rules of the Colombo Stock Exchange, which are not identical.

Independent Directors in accordance with Banking Act Direction No. 11 of 2007

It requires that the Board shall have at least 3 independent Non-Executive Directors or one third of the total number of Directors, whichever is higher, with effect from 01 January 2010. Bank of Ceylon has complied with the above requirement.

As per the criteria laid down to recognise independence of Directors, Dr. R H S Samaratunga, ex officio Director and his alternate Mr. V Kanagasabapathy are not considered independent since they represent the shareholder, the Government of Sri Lanka. Dr. Buddhadasa Kaluarachchi and Mr. G K A Chaminda K Kularatne, Directors are not considered independent since they

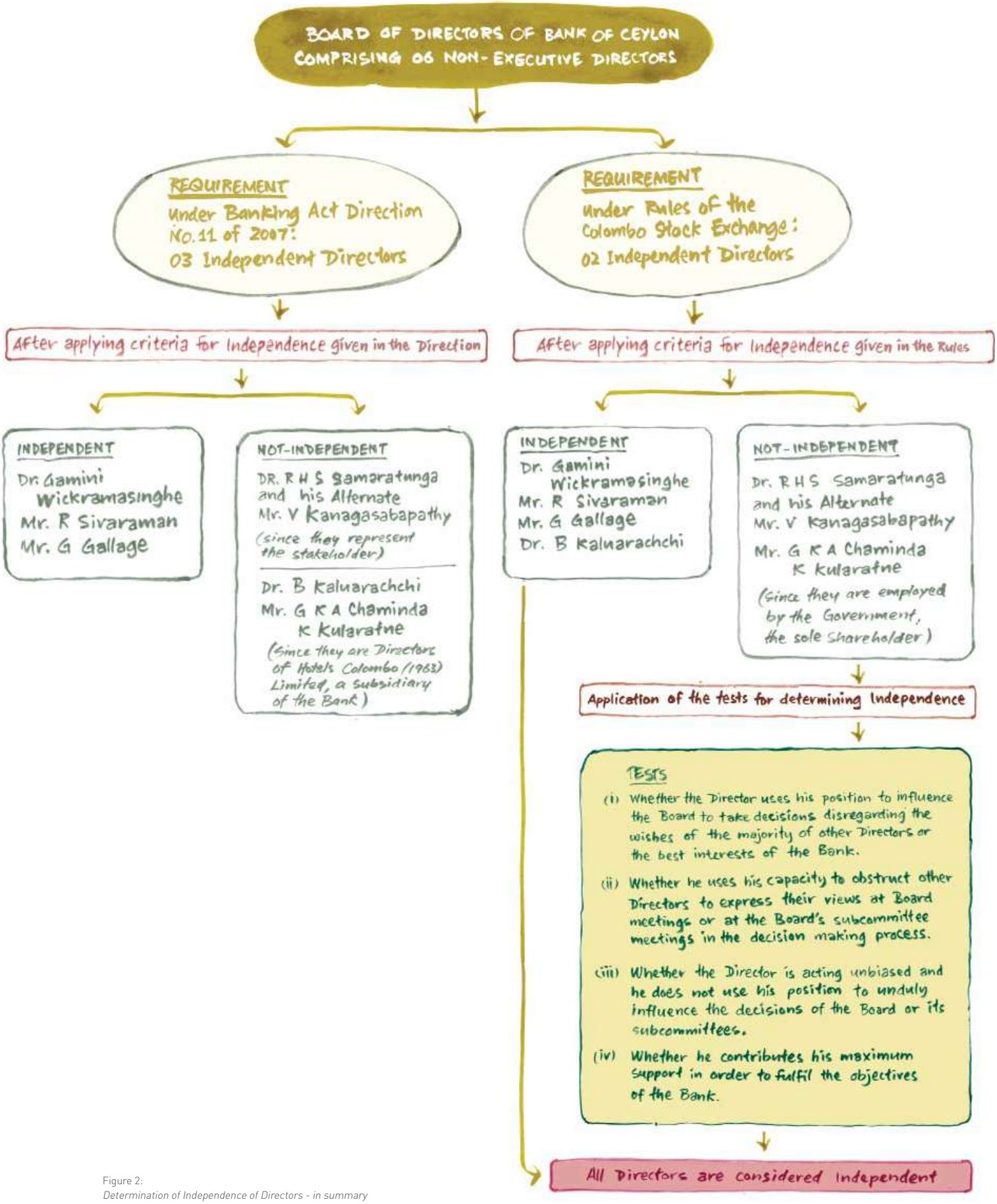


Figure 2:
Determination of Independence of Directors - in summary

are Directors on the Board of Hotels Colombo (1963) Limited, a subsidiary company of Bank of Ceylon. According to the regulations, a Non-Executive Director shall not be considered independent if he is a Director in a company in which any of the other Directors of the Bank are Directors.

Accordingly, the **Independent Non-Executive Directors** of the Bank with effect from 01 January 2010 are:

- Dr. Gamini Wickramasinghe, *Chairman,*
- Mr. Raju Sivaraman, and
- Mr. Gunaratne Gallage.

Affidavits were obtained from Directors in deciding the above.

Independent Directors in accordance with the Rules of the Colombo Stock Exchange

In applying the rules of the Colombo Stock Exchange, the Bank obtained declarations from all its Directors including the alternate Director to the ex officio Director in compliance with Rule 7.10.2 of the said Listing Rules declaring on their independence or non-independence against the specified criteria in the said Rules.

The following 3 Directors could not be considered independent since they are employed by the Government of Sri Lanka who is the sole shareholder of the listed entity viz. Bank of Ceylon (Rule 7.10.4 (f) (iii) of the said Listing Rules):

- Dr. R H S Samaratunga,
- Mr. G K A Chaminda K Kularatne, and
- Mr. V Kanagasabapathy (Alternate Director to Dr. R H S Samaratunga).

In terms of Rule 7.10.3 (b) of the said Rules, in the event a Director does not qualify as independent against any of the criteria, but if the Board, taking into account all the circumstances, is of the opinion that the Director is nevertheless independent, the Board shall specify the criteria not met and the basis for its determination in the Annual Report.

Applying the above rule, the Board, as recommended by the Nomination and Corporate Governance Committee having considered all related issues, particularly the unbiased and independent views expressed and judgements given by the above Directors, considered them as independent and satisfying the tests indicated in Figure 2 on page 49 for determining independence.

Accordingly, all Directors are considered independent as per the said Listing Rules.

Fitness and Propriety of Directors

The dates of appointment, skills and experiences of Directors are given under Directors' profiles of this Annual Report on page 209.

In addition to provisions of Section 42 of the Banking Act No. 30 of 1988, all Directors continue to comply with the criteria stipulated by the above-mentioned Banking Act Direction No. 11 of 2007 issued by the Central Bank of Sri Lanka in regard to their fitness and propriety.

Conflicts of Interest

Suitable mechanisms are in place to avoid any conflict of interest situations referred to in the Banking Act Direction No. 11 of 2007 issued by the Central Bank of Sri Lanka on Corporate Governance.

The Directors do not participate in the decision-making process on matters, in which they have an interest.

Relationships

The Directors have no relationship whether financial, business, family or any other material/relevant basis or amongst themselves. Mr. B A C Fernando is the General Manager of the Bank and functions as the apex executive in charge of day-to-day management. He also has no relationship with the Chairman and any of the other Directors.

Remuneration

The Ministry of Finance & Planning determines the remuneration of the Directors. However, a policy on remuneration to Board of Directors is documented incorporating the relevant provisions of the Bank of Ceylon Ordinance (Chapter 397) and its amendments and Ministry of Finance & Planning circulars. Remuneration of the Board of Directors for the year 2009 is given on page 143 of this Annual Report. Human Resources and Remuneration Committee, which is a subcommittee of the Board, could make recommendations to the Ministry on the remuneration of Directors. Details of Human Resources and Remuneration Committee are given on page 60 of this Annual Report.

Responsibilities

The Board is accountable for the performance and affairs of the Bank. It is aware that being Directors of a state-owned financial institution, it is responsible to the general public and that they should act in a timely manner with transparency, due care and prudence.

The Board provides strategic direction, retains full and effective control, identifies and monitors key risk and key performance areas, delegates certain powers to Management and ensures compliance with laws, regulations etc.

Board Charter

Board has adopted a Charter setting out the formal schedule of matters specifically reserved to the Board for making decisions to ensure that the direction and control of the Bank is finally under its authority. This Charter was reviewed and confirmed by the Nomination & Corporate Governance Committee. It describes:

- relevant rules of the Board and the Management and their relationships,
- powers reserved for the Board/Board's responsibilities,
- powers delegated by the Board,
- accountability and reporting of the General Manager, and
- General Manager's responsibility.

Strategic Direction

The Board approves the rolling Corporate Plan encompassing the vision, mission, objectives and business strategy of the Bank taking into consideration the volatile business environment with a mechanism to monitor it on a quarterly basis. The action plan to achieve those business objectives are also approved by the Board.

New initiatives are approved by the Board based on the memoranda submitted to it with recommendations of the Management. In directing the Bank the Board endeavours to strengthen the safety and the soundness of it.

Delegation of Powers

The Board delegates its functions within the limits set out by the Bank of Ceylon Ordinance (Chapter 397) and its amendments. It has reviewed the delegation processes in instances where necessary.

BOARD MEETINGS

The Board allocates sufficient time for the affairs of the Bank by attending Board meetings, Board subcommittee meetings and minimising decisions via circular resolutions.

Annual Calendar

During the year 2009, the Board met in accordance with the annual calendar, made available to the Directors prior to the beginning of the year to ensure their active and full participation.

Number of Meetings

Twenty three (23) Board Meetings were held during the year 2009 against the minimum of 12 meetings required by the Banking Act Direction No. 11 of 2007. Out of the above 23 meetings, 17 were scheduled regular meetings and the other 06 were convened in response to market developments and other pressing needs.

Attendance

During the year, the attendance of Directors at Board meetings was in excess of 94%. The details of their attendance are given on page 55.

Agenda

The conduct of Board meetings is based on a formal agenda prepared by the Secretary to the Board with the consent of the Chairman. The Directors can propose matters to be included in the agenda. The agenda covers matters on policy, finance, credit, risk, compliance, mandatory statements, human resource, large capital expenditure involving infrastructure viz, premises and supplies, new banking products, IT, Overseas Branches, subsidiaries and associates.

Timely Information

The Directors receive the memoranda to be discussed and the minutes of meetings held, one week ahead of the meeting. However, in view of the changing nature of the business of the Bank, the Board considers memoranda submitted subsequently, depending on the urgency and importance of the matters to be discussed.

Secretary to the Board

The Secretary to the Board, an Attorney-at-Law ensures compliance with Board procedures, relevant rules and regulations.

CHAIRMAN AND GENERAL MANAGER

Good governance principles require a clear division of responsibilities at the head of an institution between the running of the Board and the executive responsibility for the running of the Bank's business.

In Bank of Ceylon the roles of the Chairman and the Chief Executive are not exercised by the same individual. The Chairman is a Non-Executive Independent Director who is responsible for the leadership of the Board ensuring its effectiveness on all aspects of its role. The General Manager is the Chief Executive of the Bank holding the executive responsibility for the day-to-day operations of the Bank's business. The Board's Charter clearly identifies the responsibilities of the General Manager, thus segregating his functions.

CONTINUED PROFESSIONAL DEVELOPMENT

The Bank is mindful of the need for continuous professional development of Directors. Accordingly, presentations have been made to the Directors on areas on Risk Management, Anti-Money Laundering, Compliance, Business Continuity Planning etc.

A programme titled "Character First - Principles of Corporate Governance" was also arranged for the Directors which gave an insight into:

- why character determines the outcome of the challenges one faces in the governance of the Bank,
- responsible delegation in view of a worldwide economic recession and corporate failures,
- hiring, retaining and developing a team of top management whose actions are predictably right,
- establishing a Character-Based culture, ensuring the effective role of the key management.

Directors also participated at the Directors' symposium arranged by the Central Bank of Sri Lanka.

ANNUAL EVALUATION

With the aim of encouraging each Director to continue to contribute effectively and demonstrate commitment to the role, the Board carries out an annual self-evaluation of its performance including the performance of subcommittees.

Evaluation for the year 2009 was carried out through the Nomination and Corporate Governance Committee based on the method used in the previous year's evaluation carried out through an external source. Lists of questions were provided to all the Directors. Based on the answers, an assessment of performance was made indicating the areas where the performance has increased and areas where the performance could be improved. Suitable development action is in progress.

An annual evaluation of the General Manager was also carried out for the year 2009 by the Board, also facilitated by the said Committee.

INTERNAL CONTROLS

Internal controls are devised and enforced to ensure, as far as practicable in the given circumstances, the orderly and efficient conduct of the business. They include measures to safeguard the assets of the business, prevent and detect fraud and error, ensure the accuracy and completeness of accounting records and timely preparation of reliable financial information.

The Board reviewed the adequacy and the integrity of the Bank's Internal Control System and Management Information Systems (MIS) through the Audit Committee. The details of Audit Committee and its functions are given on pages 58 and 59.

RISK MANAGEMENT

Risk Management is a key element of Corporate Governance. The Board and the Senior Management are mindful of their responsibility for monitoring potential risks within the Bank. The Board is satisfied that the Management in their decision-making ensures that the returns the Bank gets are commensurate with the risks taken. Integrated Risk Management Committee looks into the Risk Management aspects and reports to the Board. A Report on Risk Management appears on pages 64 to 73 of this Annual Report. Report on the Integrated Risk Management Committee appears on page 61.

Whistle-Blowing

The Board has recognised that "whistle-blowing" is an important method in uncovering significant risks. Accordingly, an environment is created in confidence to raise concerns about possible improprieties in financial, operational and other matters. The Bank has adopted a whistle-blower policy wherein procedures are in place to encourage honest whistle-blowing and protect the informant from possible victimisation.

SUBCOMMITTEES

The Board of Directors has established 4 subcommittees to fulfil its functions.

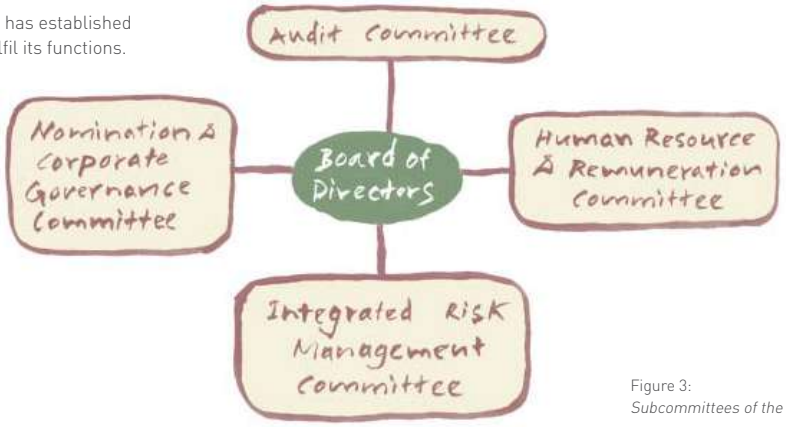


Figure 3:
Subcommittees of the Board

The members of the above subcommittees and the attendance at meetings are given on pages 55 and 58.

The details of these Committees are given on pages 58 to 61 while some of their activities specially that of the Nomination & Corporate Governance Committee are included in this Corporate Governance Report.

ETHICS AND COMPLIANCE

The Board of Directors is committed to ensuring a high level of ethics and compliance and that the Bank complies with all applicable laws and regulations both in spirit and to the letter.

Code of Ethics for Directors

Accordingly, the Board of Directors has adopted a Code of Ethics for them. It consists of the principles to be complied in relation to:

- prudent conduct and behaviours,
- managing conflicts of interest,
- corporate opportunities,
- confidentiality,
- fair dealing,
- protection and/proper use of company assets,
- publication or speech on banking matters,
- political contributions,
- compliance with laws, rules and regulations, and
- disclosure.

The Directors sign an annual declaration confirming compliance with it. The Chairman has certified that he is not aware of any violation of any of the provisions of this Code.

Ethics for Employees

Sustaining the Corporate Culture of the Bank, the employees also have a separate Code of Ethics, explaining the rules by which it operates. All employees undertake to work in order to maintain the highest standard of integrity and pursue the best interest of the Bank. An annual declaration of compliance is obtained by the Human Resource Division.

POLICY ON PROFESSIONAL ADVICE

The Board has adopted a policy on professional advice to be complied with, when Directors obtain professional advice from external sources whenever it is deemed necessary.

COMMUNICATION WITH STAKEHOLDERS

The Bank has established a broad policy on communication. This policy covers all communication with the stakeholders shown below:

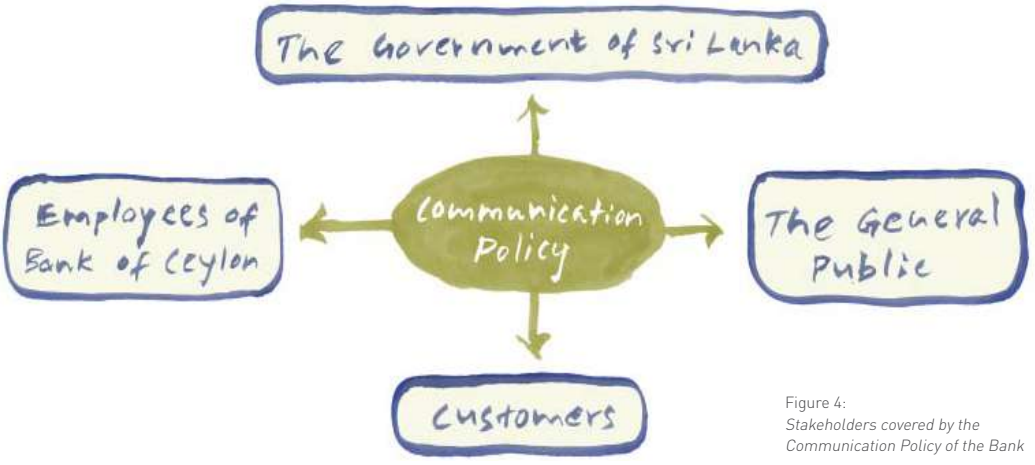


Figure 4:
Stakeholders covered by the Communication Policy of the Bank

The Bank also maintains an effective relationship with regulators.

ENVIRONMENTAL AND SOCIAL OBLIGATIONS

The environmental and social obligations of the Bank are disclosed under the Sustainablility Report given on pages 76 to 102.

HUMAN CAPITAL

The Bank considers its employees as the most valuable asset of the Bank and strongly believes that growth and development of employees go hand-in-hand with achieving the primary goals of the Bank.

The details of Human Capital of the Bank are included in the Sustainability Report on pages 98 to 102 of this Annual Report.

KEY MANAGEMENT PERSONNEL

The key management personnel in the Bank and their areas of authority and key responsibilities are identified.

The Corporate Management consisting of the Deputy General Managers, including the Chief Legal Officer, Chief Risk Officer, Chief Financial Officer, Chief Internal Auditor, Head of IT, Head of Research and Head of Marketing headed by the General Manager are the key management personnel in the Bank and they are responsible for executive decisions, administration and operations of the Bank.

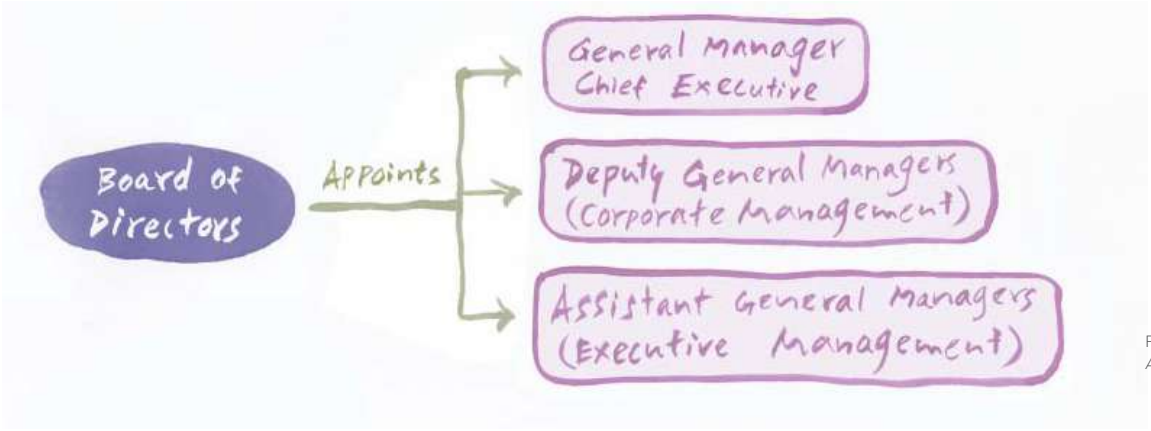


Figure 5:
Appointments made by the Board

In the year 2009, the Board selected and appointed members to the Corporate and Executive Management on the requirements of the Bank and as successors to retiring members. Enhancing and enriching the skills and expertise of the Bank, the Board also appointed a Chief Internal Auditor, a Chief Risk Officer, a Chief Financial Officer, a Head of Research, a Head of Marketing and a HR Specialist in year 2009. The selection criteria for the above posts were decided based on the varied needs of the Bank, the current developments and international sophistication of the market.

SUCCESSION PLANNING

The Board has ensured a succession plan for the Senior Management. Such plan has been prepared up to year 2015 for all key personnel. In the light of the current developments, the Nomination & Corporate Governance Committee has directed the new HR Specialist to prepare a comprehensive plan taking into account the managerial needs of the Bank, managerial capabilities, suitability to handle responsibilities at a higher level and complexity and sophistication of the banking environment and its developments.

TECHNOLOGY

The Board ensures that technology and systems used in the Bank of Ceylon are adequate to properly run the business and for it to remain a competitor with other banks, so that the Bank's planned strategies could be achieved.

Information on Bank's technology is given on page 40.

In addition to the above governance practices, **compliance with the Code of Best Practice on Corporate Governance issued jointly by the Securities and Exchange Commission of Sri Lanka & The Institute of Chartered Accountants of Sri Lanka** are indicated below:

Subject	Disclosure	Response
Chairman and CEO	If Chairman and CEO is one and the same person, disclose the Name of the Chairman/CEO and Senior Independent Director appointed and justification of the decision to combine the positions.	The posts of Chairman and CEO are held by two individuals.
Board Balance	• Should identify the Independent Non-Executive Directors.	Complied with (Definition for an Independent Director is similar to the definition given under the Colombo Stock Exchange rules).
	• If a Non-Executive Director is identified as 'Independent', notwithstanding the existence of any of the factors indicated in the Code, the reason for such determination should be disclosed.	Pages 48 to 50 describe how all Directors are considered independent.
Appointment of new Directors	When new Directors are appointed, the following details should be disclosed: • a brief resumé of each such Director; • the nature of his expertise in relevant functional areas; • the names of companies in which the Director holds directorships or memberships in Board Committees; and • whether such Director can be considered independent.	When new Directors are appointed, it would be complied with.
Nomination Committee	The Chairman and members of the Nomination Committee should be identified.	Complied with. Please refer page 60 of this Annual Report for details of the Nomination and Corporate Governance Committee.
Appraisal of Board Performance	Should disclose how performance evaluations have been conducted.	Complied with. Please refer page 51.

Subject	Disclosure	Response
Board-Related Disclosures	The following details pertaining to each Director should be disclosed:	Complied with. Please refer following pages of this Annual Report:
	● name, qualification and brief profile;	Page 209
	● the nature of his/her expertise in relevant functional areas;	Page 209
	● immediate family and/or material business relationships with other Directors of the Company;	Page 50
	● names of other listed companies in Sri Lanka in which the Director concerned serves as a Director;	Pages 188 to 191
	● names of companies in which the Director concerned serves as a Director and/or the fact that he/she holds other directorships in the Group Companies;	Pages 188 to 191
	● number/percentage of Board Meetings of the Company attended during the year;	Pages 50 and 55
	● names of the Committees in which the Director serves as the Chairman or a member; and	Page 58
	● number/percentage of Committee Meetings attended during the year.	Page 55
Disclosure of Remuneration	● A Statement of Remuneration Policy and details of remuneration of the Board as a whole.	Remuneration of the Board for the year 2009 is given on page 143 of this Annual Report. Please refer page 50 for Information on Remuneration Policy
	● Details of Remuneration Committee	Details of Remuneration Committee are given in the Human Resources and Remuneration Committee Report on page 60 of this Annual Report
Major Transactions	All Major Transactions entered into by the Company should be disclosed.	Complied with.
Audit Committee	● Names of the Members of the Audit Committee should be disclosed.	Names of Members of the Audit Committee are given in the Audit Committee Report on pages 58 and 59.
	● Basis for determining the independence of Auditors.	The Auditor of the Bank is the Auditor General as enshrined in the Constitution of Sri Lanka. The independence of the Auditor General is ensured by the Constitution.
Code of Business Conduct and Ethics	● Should disclose whether the Company has a Code of Business Conduct and Ethics for Directors and members of the senior management team.	Bank has a Code of Ethics for Directors. There is a separate Code of Ethics for employees.
	● Should also disclose an affirmative declaration that they have abided by such Code	Compliance certificates are obtained annually.
	● The Chairman must certify that he/she is not aware of any violation of any of the provisions of this Code.	Complied with.
Going Concern	Should report that the Company is a going concern, with supporting assumptions and qualifications as necessary.	Complied with.

Subject	Disclosure	Response
Directors' Report	Should contain the following declarations made by the Directors: ● The Company has not engaged in any activities, which contravenes laws and regulations; ● The Directors have declared all material interests in contracts involving the Company and refrained from voting on matters in which they were materially interested; ● The Company has made all endeavours to ensure the equitable treatment of shareholders; ● The business is a going concern with supporting assumptions or qualifications as necessary; and ● They have conducted a review of internal controls covering financial, operational and compliance controls and risk management and have obtained reasonable assurance of their effectiveness and successful adherence herewith.	Complied with. (It should be noted that the Bank has only one shareholder, the Government of Sri Lanka.)
Financial Statements	● The Board of Directors should include a Statement of Responsibility for the preparation and presentation of Financial Statements. ● Auditors should also have a statement about their reporting responsibility	Complied with
Management Report	Should include a 'Management Discussion and Analysis Report' discussing at least the following issues: ● industry structure and developments; ● opportunities and threats; ● risks and concerns; ● internal control systems and their adequacy; ● social and environmental protection activities carried out by the Company; ● financial performance; ● material developments in human resources/industrial relations; and ● prospects for the future.	Complied with
Corporate Governance Report	Should disclose the manner and extent to which the Company has complied with the principles and provisions of the Code.	Complied with
Audit Committee Report	Should set out the work carried out by the Committee.	Complied with

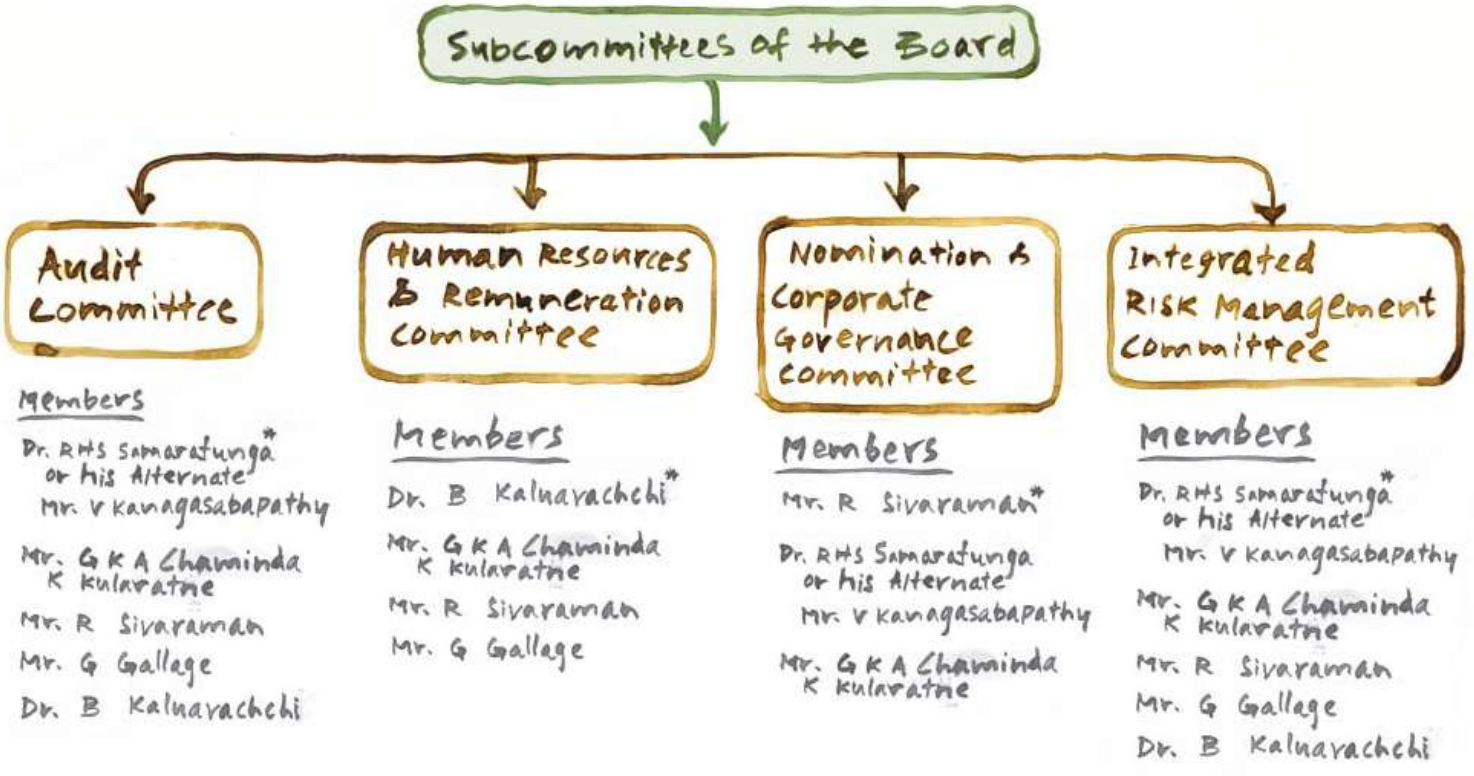
ATTENDANCE AT BOARD AND SUBCOMMITTEE MEETINGS DURING THE YEAR 2009

Committee	Main Board	Audit Committee	Human Resources and Remuneration Committee	Nomination and Corporate Governance Committee	Integrated Risk Management Committee
No. of Meetings held	23	12	01	03	04
	No. Attended	No. Attended	No. Attended	No. Attended	No. Attended
Dr. Gamini Wickramasinghe	23	*	*	*	*
Dr. R H S Samaratunga	17	–	*	01	–
Mr. V Kanagasabapathy as Alternate Director to Dr. R H S Samaratunga	04**	12	*	01	04
Mr. G K A Chaminda K Kularatne	19	05	01	02	03
Mr. R Sivaraman	23	11	*	03	04
Mr. G Gallage	23	12	01	*	03
Dr. B Kaluarachchi	21	12	01	*	04

** Not a Member on the Committee.*
*** Other than the 4 meetings attended in the absence of Dr. R H S Samaratunga, Mr. V Kanagasabapathy has attended the Board Meeting on 8 April 2009 by invitation.*

Traffic jams happen. You sit them out or take a tortuous route to avoid them... but you do encounter them. That's in a literal sense. More intriguing are the 'traffic jams' we place ourselves in... through closed minds, prejudices, faulty ethics, laziness and so on. Sometimes the business model that worked so well in the past can put your business in a 'traffic jam'.

Isn't freedom from self limitations what matters?



** Chairman of the Committee*

Note

- *All the above members are Non-Executive Directors.*

AUDIT COMMITTEE REPORT

Role of the Committee

The main Role of the Committee is to assist the Board in discharging its fiduciary responsibility. In fulfilling it, the Committee becomes responsible for the following, which are clearly identified in the Charter of the Audit Committee:

- Adequacy and effectiveness of the Bank's internal controls.
- Reviewing the annual and quarterly Financial Statements to ensure whether they are complete, consistent and comply with Accounting Standards, Regulations and Generally Accepted Accounting Principles.
- Adequacy of the scope, functions and resources of the Internal Audit Division.
- Reviewing the internal audit programme and results of the internal audit process and ensuring that appropriate action is taken.
- Reviewing the internal audit reports, external audit management letters and subsequent follow up audits.
- Ensuring that significant findings and recommendations made by the external auditors are received and discussed on a timely basis.
- Regularly update the Board about Committee activities and make appropriate recommendations.
- Ensuring that the Board is made aware of matters which may significantly impact the financial condition or affairs of the business, in a timely manner.
- Instituting special investigations if necessary.
- Ensuring that the Bank meets statutory and regulatory compliances.
- Approving the scope of activities of the internal audit function, ensuring its independence and that no unjustified restrictions or limitations are made and it is performed with impartiality, proficiency and due professional care.

Composition and Quorum

The members of the Audit Committee during the year 2009 were as follows:

Mr. V Kanagasabapathy - *as Alternate Director to Dr. R H S Samaratunga - Chairman*

Mr. G K A Chaminda K Kularatne

Mr. R Sivaraman

Mr. G Gallage

Dr. B Kaluarachchi

The Committee consists of Non-Executive Independent Directors of the Board in accordance with the Listing Rules of the Colombo Stock Exchange.

Banking Act Direction No. 11 of 2007 on Corporate Governance issued by the Central Bank of Sri Lanka requires the Chairman of the Audit Committee to be independent and to hold qualifications and experience in accountancy and/or audit. Bank of Ceylon is using the services of Mr. V Kanagasabapathy, a Chartered Accountant with experience in the fields required, who is the alternate Director to Dr. R H S Samaratunga, the ex officio Director, to chair the meetings of the Audit Committee, even though he cannot be considered independent in terms of the definition given for an Independent Director in the said Direction, as

Mr. Kanagasabapathy represents the Government of Sri Lanka which is the sole shareholder of the Bank. Since the Directors of the Bank are appointed by the Minister in charge of the subject of Finance in terms of the Bank of Ceylon Ordinance (Chapter 397) and its amendments, the Bank has resorted to the above measure in the best interests of the Bank. The Central Bank of Sri Lanka has been informed and its concurrence obtained for such arrangement.

The quorum of the Committee is two members.

The General Manager, Chief Financial Officer and the Chief Internal Auditor attend the meetings by invitation. The Secretary of the Bank/Secretary to the Board functions as the Secretary to the Committee to assist the Committee in fulfilling its role. A representative of the Auditor General's Department is also present at all Audit Committee meetings as an observer on invitation. A Partner from Messrs BDO Burah Hathy, Chartered Accountants (presently Messrs BDO Partners) who were the External Auditors appointed by the Auditor General to assist him in the audit of the Bank for the year 2008 was also present at all Audit Committee meetings up to August 2009. The other members of the Corporate Management and other staff members of the Bank are invited to attend the meetings when the Committee requires their presence.

Meetings and Activities

In the year 2009, the Committee decided to meet regularly with a view to having a close monitoring system and to review the progress achieved based on a streamlined audit process and to activate the corrective measures promptly.

The Committee met 12 times during the year under review. As stated earlier, all the meetings were chaired by Mr. V Kanagasabapathy. The attendance of Committee members at meetings is given in the table on page 55. For all these meetings due notice of meetings together with details/memoranda for discussion were given.

The activities carried out by the Committee during the year under review are given below:

Internal Audit

- The Bank recruited a new Chief Internal Auditor having the necessary qualifications and experience in February 2009 on the recommendation of the Audit Committee.

  A newly restructured Internal Audit Division established through the merger of Internal Audit Department with the Inspection and Audit Department started functioning as an independent unit under the new Chief Internal Auditor.

- Adopted the Internal Audit Plan for the year 2009 and the Audit Programme and effectiveness of its implementation was monitored by way of regular reports.
- Reviewed significant internal audit findings/and Management's responses thereto with a view to taking timely corrective action to avoid recurrence in future. Rectification certificates obtained in this process were reviewed and revised.
- Reviewed the report on the statutory examination carried out by the Central Bank of Sri Lanka with a view to taking corrective action.
- A new procedure to monitor credit risk structure/portfolio of the facilities granted was recommended and continued with audit reviews of credit facilities.
- Strengthened the independence of Internal Control Officers' (ICOs') functions.
- Reviewed the cadre position/succession plan of the Internal Audit Division.
- Carried out an evaluation of the internal audit function and arrangements were made to carry out a performance evaluation of the Chief Internal Auditor for the year 2009.
- Audit Committee and Internal Audit Charters were revisited and revised.
- Approved the Internal Audit Plan for year 2010 with more emphasise on the centralised auditing rather than paper-based auditing.

External Audit

The Auditor General is the Auditor of the Bank of Ceylon appointed in terms of Article 154 of the Constitution of Sri Lanka. His independence is enshrined in the Constitution. Accordingly, the Committee carried out the following:

- Reviewed the interim (draft) and final reports of the Auditor General to the Parliament of Sri Lanka on the accounts of the Bank for the year ended 31 December 2008, Management Letter, Management responses thereto and corrective measures taken by the Bank to avoid recurrence of the issues highlighted.
- Facilitated the proposal made by the Auditor General to have an independent information systems audit.
- Ensured corrective action is taken on the issues highlighted in Branch audit reports submitted by the audit firms appointed by the Auditor General to assist in the audit process.

Financial Reporting

Reviewed the following:

- Monthly Financial Statements.
- Financial Statements for the year ended 31 December 2008.
- Quarterly Financial Statements, prepared on the basis of statutory requirements, firstly to evaluate the performance and secondly for the purpose of publication.
- Request for proposal of IAS 32 & 39 (SLAS 44 & 45) and IFRS 7 conversion.

Compliance

- Arrangements have been made to have a comprehensive compliance report prepared based on internal and external regulations. (Independent Integrated Risk Management Division is responsible for compliance function and accordingly it monitors such function.)

Training

- On the recommendation of the Audit Committee Internal Audit Division carried out awareness programmes on the internal controls and external audit findings.

Audit Bulletin

- Three issues have been published and circulated amongst the employees during the year under review creating awareness of the Internal Audit function.

Supervision and Audit of Subsidiaries and Associates of Bank of Ceylon

- The new Chief Financial Officer was entrusted with the responsibility of monitoring the performance of Subsidiaries and Associates of Bank of Ceylon and reporting the progress.
- A Charter for the subsidiary and associate companies has been prepared on the recommendation of the Committee and is to be approved by the Board.

Minutes/Reporting to the Board

All minutes of the Committee have been tabled and ratified at meetings of the Board. Follow up action is taken on outstanding matters.

Procedure for Complaints

The procedure for the receipt, retention and treatment of complaints received by the Bank regarding accounting, internal control and audit matters etc. was in operation during the year under review. During the period, 168 complaints were received, out of which 149 have been investigated and resolved.

Conclusion

The Committee is confident that the internal audit function of the Bank is independent of the activities it audits and that it is performed with impartiality, proficiency and due professional care. It 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 audited accounts are free from any material misstatements.

V. Kanagasabapathy
As Alternate to Dr. R H S Samaratunga
Chairman,
Audit Committee

HUMAN RESOURCES AND REMUNERATION COMMITTEE REPORT

Role of the Committee

The main responsibilities of the Committee include the following:

- Determining the remuneration policy (salaries, allowances and other financial payments) relating to the General Manager and key management personnel of the Bank.
- Setting goals and targets for the General Manager and key management personnel.
- Evaluating the performance of the General Manager and key management personnel against the set targets and goals periodically and determining the basis for revising remuneration, benefits and other payments of performance-based incentive.
- 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 2009 were as follows:

Dr. B Kaluarachchi - Chairman

Mr. G K A Chaminda K Kularatne

Mr. R Sivaraman

Mr. G Gallage

The quorum of the Committee is two members. The General Manager presents himself at all meetings except when matters relating to him are discussed. The other members of the staff are invited to attend the meetings when the Committee requires their presence. The Secretary of the Bank/Secretary to the Board functions as Secretary to the Committee.

Meetings and Activities

The Committee has met once during the year under review.

The attendance of Committee members at meetings is given in the table on page 55.

Initially, this Committee was to consider all matters pertaining to Human Resources and make recommendations to the Board. However, as the composition of Directors on the Board is low with only 6 (six) persons and in view of the regular Board Meetings held on a fortnightly basis, up to the month of July and thereafter on a monthly basis, the Board fully deliberated on Human Resource matters and also certain other matters coming under the purview of this Committee, at the Board Meetings. The Board refers to the Committee any matter that it is of the opinion needs the Committee's attention.

Even though, according to Direction No. 11 of 2007 issued by the Central Bank of Sri Lanka on Corporate Governance for Licensed Commercial Banks the Human Resources and Remuneration Committee has to determine the remuneration policy relating to Directors, in the case of Bank of Ceylon, the remuneration of Directors are in accordance with the circulars issued by the Ministry in charge of the subject of Finance representing the shareholder, the Government of Sri Lanka. The provisions in the Bank of Ceylon Ordinance (Chapter 397) and its amendments, the Act of Parliament which established Bank of Ceylon are also taken into consideration with regard to the Directors' remuneration and benefits given to them.
A remuneration policy for Directors has been adopted by the Board in keeping with the above rules and instructions. The details of the remuneration given to Directors are fully disclosed in the Annual Report on a yearly basis.

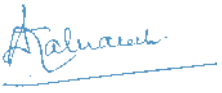
The remuneration of employees including the General Manager and key management personnel are revised once in 3 years in accordance with the provisions of the said Bank of Ceylon Ordinance. In this year, the Bank revised the salaries of employees for the period 2009-2011. Prior to finalising the salary revision, the Committee deliberated on the proposals and made its recommendation to the Board.

Goals and targets for General Manager and key management personnel are embodied in the Action Plan prepared based on the rolling Corporate Plan. They are reviewed by the Board.

The newly recruited Human Resource Specialist amongst other things has been entrusted with the implementation of a comprehensive performance-based incentive scheme.

The Committee has also monitored the progress of the Human Resource Plan.

Minutes of the meetings held were ratified by the Board.



Dr. B Kaluarachchi
Chairman,
Human Resources and Remuneration Committee

NOMINATION AND CORPORATE GOVERNANCE COMMITTEE REPORT

Role of the Committee

The Committee works closely with the Board and Corporate Management and among other matters is responsible for the following:

- Evaluating, in consultation with the Chairman of the Board and the General Manager (GM), the current role and functions of the Board and its Committees to oversee successfully the business and affairs of the Bank in a manner consistent with the provisions of Banking Act Direction No. 11 of 2007 issued by the Central Bank of Sri Lanka on Corporate Governance for Licensed Commercial Banks in Sri Lanka and the rules on Corporate Governance of the Listing Rules of the Colombo Stock Exchange and making recommendations to the Board for approval with respect thereto.
- 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 periodically the Bank's Code of Ethics.
- Implementing procedures to select/appoint the GM and key management personnel.
- 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 key management personnel are fit and proper persons to hold office as specified in the criteria given in Direction No. 3 (3) of the above mentioned Banking Act Direction No. 11 of 2007 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 Key Management Personnel (KMPs).

Composition and Quorum

The members of the Committee during the year 2009 were as follows:

Mr. R Sivaraman - *Chairman*

Dr. R H S Samaratunga - *Member*

Mr. V Kanagasabapathy - *Alternate Director to Dr. R H S Samaratunga*

Mr. G K A Chaminda K Kularatne - *Member*

The quorum of the Committee is two members.

The GM presents himself at the meetings by invitation. Other members of staff are invited to attend the meetings when the Committee requires their presence. The Secretary of the Bank/Secretary to the Board functions as the Secretary to the Committee.

Meetings and Activities

The Committee met thrice during the year under review. The attendance of Committee Members at meetings is given in the table on page 55.

According to the aforesaid Direction No. 11 of 2007 issued by the Central Bank of Sri Lanka on Corporate Governance for Licensed Commercial Banks, the Nomination Committee has to implement a procedure to select/appoint new Directors. However, in the case of Bank of Ceylon, the appointment of Directors are carried out by the Minister in charge of the subject of Finance, representing the shareholder and as such this Committee does not have any role to play in connection with the appointment of Directors.

The main task of this Committee was to ensure and monitor the implementation of the provisions of the Corporate Governance rules of the above-mentioned Banking Act Direction No. 11 of 2007 and the Listing Rules of the Colombo Stock Exchange. The activities carried out giving the compliance on the above rules on Corporate Governance are explained in the Report on Corporate Governance given in this Annual Report on pages 48 to 61.

The Committee also reviewed the Nomination & Corporate Governance Committee Charter.

Conclusion

The committee would endeavour to enhance the good governance practices of the Bank.

R Sivaraman
Chairman
Nomination and Corporate Governance Committee

INTEGRATED RISK MANAGEMENT COMMITTEE REPORT

Role of the Committee

The primary purpose of the Committee is to assist the Board in fulfilling its oversight responsibilities with respect to the operation and effectiveness of the risk management policies, and practices employed by the Bank to manage various types of risks, including anti-money laundering and compliance.

The main responsibilities of the Committee based on its Charter include the reviewing and/or recommending for approval the following:

- Policies, programmes and Management Committee Charters relating to risk management and compliance.
- All risks, i.e. credit, market, liquidity operational and strategic risks, through appropriate risk indicators and management information. In the case of subsidiary companies, risk management to be effected, both on Bank and Group basis.
- Risk limits and policies that establish appetite for credit, market, liquidity and operational risks, as recommended by the Chief Risk Officer.
- Adequacy and effectiveness of all Management level Committees such as the Credit Committee, Personnel Policy Committee, Asset and Liability Management Committee and the Operational Risk Management Executive Committee which address specific risks and 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 emerging market and regulatory risks and action 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 action against the officers responsible for failure to identify specific risks and 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.

Composition and Quorum

The members of the Integrated Risk Management Committee during the year 2009 were as follows:

Dr. R H S Samaratunga - Chairman

Mr. V Kanagasabapathy - Alternate Director to Dr. R H S Samaratunga

Mr. G K A Chaminda K Kularatne

Mr. R Sivaraman

Mr. G Gallage

Dr. B Kaluarachchi

The Committee consists of Non-Executive Directors. They are also Independent Directors in accordance with the Listing Rules of the Colombo Stock Exchange.

The quorum is two members.

The General Manager and the Chief Risk Officer are in attendance at the meetings. The Secretary of the Bank/Secretary to the Board functions as the Secretary to the Committee. The other members of the Corporate Management and other staff members of the Bank are invited to attend the meetings when the Committee requires their presence.

Meetings and Activities

The Committee met four times during the year under review. The attendance of Committee members at meetings is given in the table on page 55.

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

- Established a fully fledged Independent Integrated Risk Management Division in the Bank.
- Reviewed and adopted the organisation structure of the Division. The organisation structure divides the teams on the basis of Credit, Operational, Treasury and Market Risks and Compliance and Anti-Money Laundering.
- Recommended and adopted the following policies, guidelines, manuals and brochures formulated by the Risk Management Division:
  - Risk Management Manual
  - Credit Risk Policy and Lending Guidelines
  - Market and Liquidity Risk Policy
  - Operational Risk Policy
  - Know Your Customer Policy
  - Terms of Reference of Operational Risk Management Executive Committee.
- Recommended and adopted professional risk management systems appropriate to the Bank covering Credit, Operational, Treasury and Market Risks for purchase from external vendors.
- Introduced and created a culture of risk awareness and importance of customer ratings as the Bank transfers to the BASEL II world of capital calculation.
- Reviewed the Terms of Reference for the Credit Committee including the delegated authorities for credit administration.
- Reviewed and revised the Terms of Reference of Investment Committee.
- Introduced a risk based price culture through an appreciation of risk weighted assets and capital cost based on the principle of benchmarked Risk Adjusted Return on Capital (RAROC) linked to customer risk ratings.
- A monthly compliance report is submitted to the Board through the Independent Integrated Risk Management Division.
- A self test system is carried out to evaluate the awareness of compliance requirements and changes to the Central Bank of Sri Lanka regulations.
- The Business Continuity Plan has been reviewed and tested across many functions and departments.
- Arranged awareness programmes for the regional officers island-wide and as well as for the senior management on implementation of Risk Management in the Bank and such training programmes are an on-going process.
- Awareness/programmes on policies on Anti-Money Laundering (AML), Combating Terrorist Financing and Know Your Customer (KYC) were conducted across all sections of staff and to the Board of Directors through workshops and presentations.
- Training and awareness on BASEL II and best practices on credit are conducted on an ongoing basis.

Minutes/Reporting to the Board

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

The Committee is of the view that the Bank has made good progress towards meeting the challenges of risk management and compliance complying with international standards.

V Kanagasabapathy
As Alternate to Dr. R H S Samaratunga
Chairman
Integrated Risk Management Committee

Paradise

It's more than a symptom of the Generation Gap... when youth begin to feel they have no real identity. When the world they live in is one that does not encourage and promote lives lived grounded in good values, morals and ethics... like toys packaged and for sale on the pavements of a callous world

What Matters, Then?

RISK MANAGEMENT

"All of life is the management of risk not its elimination"

Ex-banker

THE RISK MANAGEMENT PHILOSOPHY OF BANK OF CEYLON

BOC considers it fundamental that those who take or accept risk on behalf of the Bank are not the ones who measure, monitor and evaluate the risks. The key is **Independence**.

Risk, to varying degrees, is present in all business activities of a financial services organisation, therefore effective risk management is fundamental to the success of the Bank. The primary goal of the Bank's risk management function is to ensure that the outcomes of risk-taking activities are predictable and in line with its objectives and that an appropriate balance between risk and return is ensured so as to maximise shareholder return.

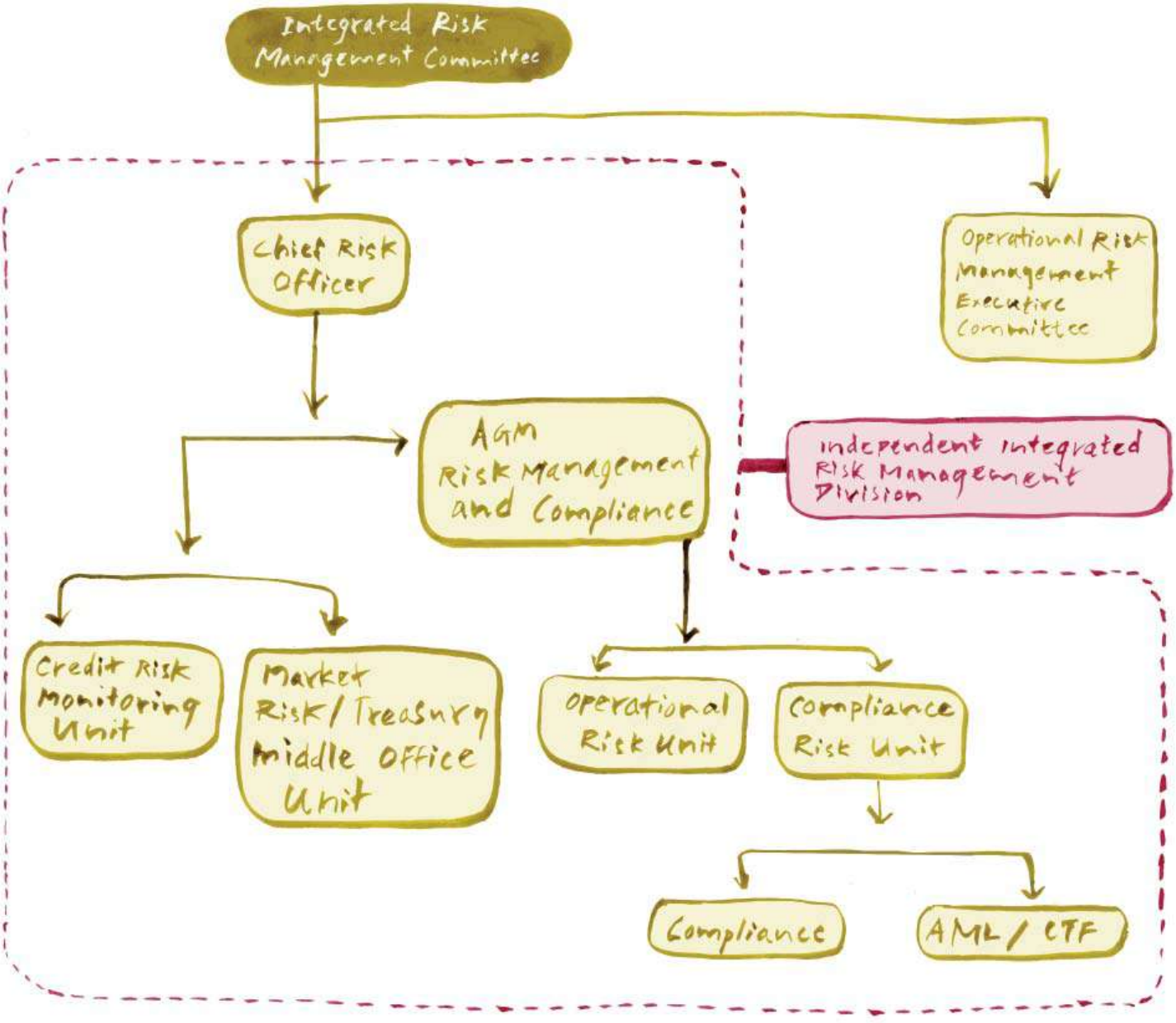
OUR POLICY

- It is the policy of BOC to observe the highest standards of integrity and fair dealing in the conduct of its business and to act with due skill, care and diligence.
- To comply with both the letter and the spirit of all relevant laws, codes, rules, regulations and standards of good market practice in each area we conduct business.
- Commercial pressures to reduce costs and increase revenues will not be permitted to compromise our reputation.

RISK GOVERNANCE

Risk Management Governance Structure of the Bank begins with oversight by the Board of Directors, through the Integrated Risk Management Committee (IRMC) to which reports the Independent Integrated Risk Management Division (IIRMD). The governance structure is outlined below.

RISK MANAGEMENT GOVERNANCE STRUCTURE OF BOC



Responsibility for risk management resides at all levels within the Bank, from the Board of Directors down through the organisation to each business manager. Every business manager is accountable for managing risk in his or her business area and has a thorough understanding of the key risks inherent in the business undertaken and how such risks are to be controlled and managed. Furthermore, each key business area has an experienced risk officer to provide an independent control function and to support the development of a strong risk management culture throughout the Bank. In addition, the compliance team manages the regulatory compliance function and Anti-Money Laundering/Combating Terrorist Financing (AML/CTF) issues.

The Internal Audit Department reports independently to the Board through the Audit Committee on the effectiveness of the risk governance structure and the risk management framework of the Bank.

Integrated Risk Management Committee (IRMC)

Primary purpose of the IRMC, whose members are appointed by the Board of Directors and includes Board members with the participation of the General Manager and the Chief Risk Officer assists the Board in fulfilling their oversight responsibilities with respect to the operation and effectiveness of risk management, risk appetite, setting policies and regularly reviewing the policies and the delegated authorities that are granted to the management to manage the various types of risk and regulatory compliance requirements that the Bank is strictly committed to adhere.

Independent Integrated Risk Management Division (IIRMD)

As an oversight of risk management function of the Bank, IIRMD functions as a separate department, independent from the revenue generating Strategic Business Units (SBUs). The Department is headed by the Chief Risk Officer (CRO) who reports to the IRMC, a subcommittee of the Board and ultimately to the main Board of Directors. New standards for financial institutions introduced by Basel II are integrated into the new risk management strategy and framework and it is implemented through this department.

The IIRMD is responsible for coordinating all the risk activities of the Bank for reporting to IRMC the Bank/Group-wide risk profile and advice on other risk matters through the quarterly risk meetings. Furthermore, IIRMD is also responsible for the implementation and operation of the risk framework throughout the Bank.

Management Committees

Besides the IIRMD, there are several committees such as Credit Committee, Asset & Liability Committee (ALCO), Operational Risk Management Executive Committee (ORMEC), IT Steering Committee, Business Continuity Planning Committee, Investment Committee, Forged Cheques and Fraud Committee, Foreclosed Property and the Non Performing Advances (NPA) Recovery Committee, involved in managing the various risks that the Bank is exposed to.

RISK MANAGEMENT FRAMEWORK

In order to deliver its core purposes effectively and efficiently, the Bank has a comprehensive risk management framework to monitor, evaluate and manage the principal risks assumed in conducting its activities. These risk exposures include: Credit, Market, Operational, Compliance and Liquidity.

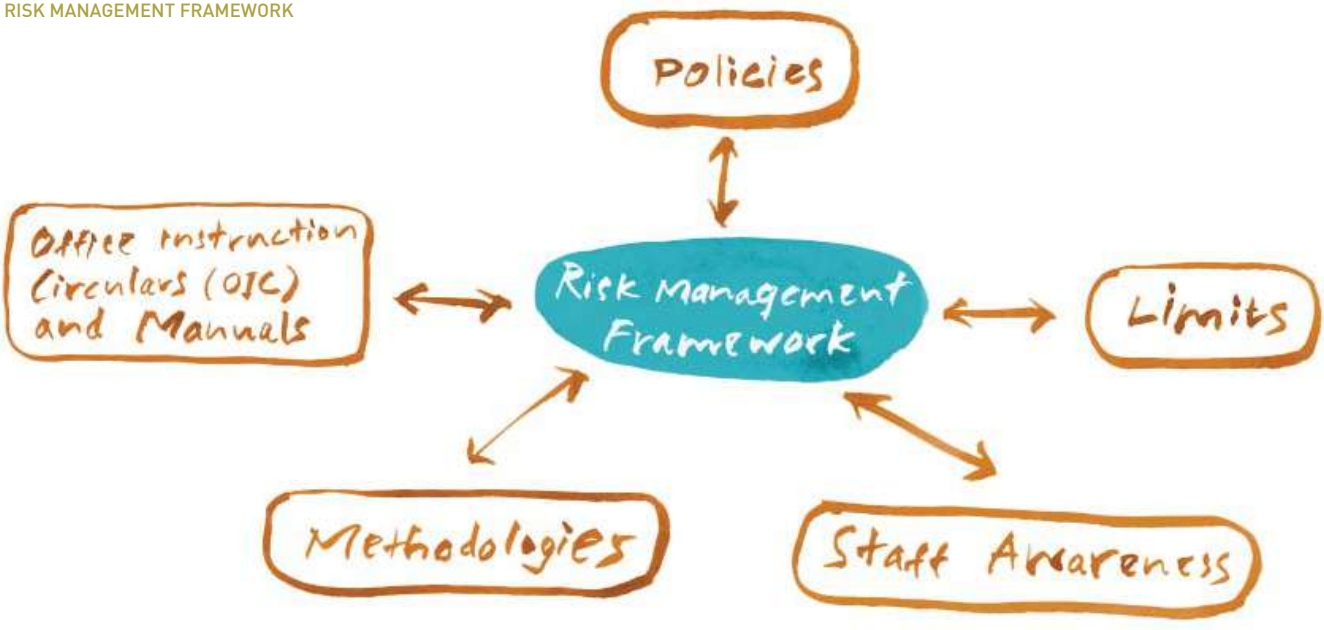
The Bank's risk management framework defines the policies as to how risks are managed, the methodologies and techniques used and the reporting outputs that are generated and the roles and responsibilities of key parties in the risk management process.

The framework has five main components as shown in the diagram below. Each component is regularly reviewed and updated to ensure consistency with the risk-taking activities and relevance to the business strategies of the Bank.

Risk Policies

Policies establish the governance, risk appetite and the risk management culture over the Bank's risk-taking activities. The Bank's risk management processes are guided by well-defined policies approved by the Board, appropriate for Credit, Market, Liquidity, Strategic and Operational risk management, which are most significant to the Bank's risk profile. Those Board approved risk policies are a high-level articulation of how key areas of risk are identified, assessed, managed and monitored within the Bank. All requirements of the regulatory authorities and changes in the business environment are considered in the development of such policies.

RISK MANAGEMENT FRAMEWORK



Limits

The risk limits and appetite for the Bank are approved by the IRMC based on inputs from the IIRMD and takes into consideration the operating business environment and the types of risk-taking activities that are assumed in pursuit of the Bank's strategic and financial objectives.

Limits are set for the purpose of controlling risk-taking activities within the tolerance limits for each Credit, Market, Liquidity and Operational risk, established by the Board of Directors and Corporate Management.

Following limits are set by the Board in order to manage different types of risk taking activities such as:

- Loan granting limits according to the authority levels to control the exposure risk
- Limits on granting loans to different Industry sectors to manage concentration risk
- VaR limits for Fixed Income Trading Portfolio to limit the possible losses due to changes in interest rates
- Limits on net interest income sensitivity to interest rate changes to maintain the required net interest margin
- Gap limits in terms of interest sensitive ratio for a given time band to minimise the re-pricing risk of assets and liabilities
- VaR limits for foreign currency exposures to limit the possible losses due to changes in exchange rates

Office Instruction Circulars (OIC) and Manuals

Instructions and Manuals are the directives provided to implement policies as set out above. IIRMD has developed a robust risk management framework to comply with Basel II regulations, which are described in user manuals and in OICs for giving guidelines.

Methodologies/Techniques

Methodologies are the activities associated with identifying, assessing, managing, monitoring and reporting Credit, Market, Liquidity and Operational risk. Measurement, monitoring and reporting tools quantify risk across products, businesses and processes and are used to determine risk exposure.

The specific methodologies used to manage these risks are also discussed below under their respective sections.

Staff Awareness

In order to ensure that all staff are clear about the inherent risks in their areas of responsibility and their role in managing and mitigating risk, the Bank facilitates ongoing training at all levels and maintains dialogue across functional (business and departments) units to increase awareness with regard to risks embedded in the Bank processes.

Transition to International Financial Reporting Standards (IFRS)

The Institute of Chartered Accountants of Sri Lanka confirmed that SLAS 46 - *Financial Instruments Disclosures* - Exposure Draft (which ensures compliance with IFRS) will be effective commencing from 01 January 2011.

In order to prepare for the compliance requirement for IFRS 9 to provide disclosure in the Financial Statements the Bank has already taken steps towards implementing a new risk management system that will enable the Bank to manage risk more prudently to facilitate, identify, measure, monitor and control risks and potential risk reporting as required under the IFRS 9.

CREDIT RISK

Credit risk is the possibility of losses arising from the diminution in the credit quality of borrowers or counterparties. In a bank, losses could arise from default by customers or counterparties inability or unwillingness to meet commitments relating to lending, trading or other financial transactions.

Credit risk could arise in the banking book as well as the trading book. Credit risk arises not only from Balance Sheet items such as commercial and consumer loans and advances but can also arise from Off-Balance Sheet items such as financial guarantees, letters of credit and acceptances.

Credit Risk Management

Credit risk is the single largest risk element to which the Bank is exposed (allocation for credit risk exposure, from the total risk weighted assets is 83%). Hence effective credit risk management is a critical component of a holistic approach to risk management and is essential to the long term success of the Bank.

The Credit Committee is an integral part of the credit risk management structure of the Bank. The committee comprises of the General Manager, Chief Financial Officer, Chief Risk Officer and all the Heads of Strategic Business Units. The committee has been delegated with authority limits to approve credits within its delegated limit or make appropriate recommendations to the Board of Directors in respect of those that exceed its limit. The committee also engages in regular review of exposure limits with a view to ensure the maintenance of credit quality. The committee meets weekly. However, more frequent meetings may occur as needed to respond to potential risk related issues in a timely manner.

The credit risk management and controls are centralised in the IIRMD. Credit risk management policy, an essential component in a well-defined credit risk management framework is approved by the IRMC. This serves as the basis for consistent credit risk management throughout the Bank by communicating policies and procedures covering credit transactions and remains as an integral part of the Bank's credit culture.

Risk Limit Controls and Mitigating Policies for Credit Risk

Risk limits

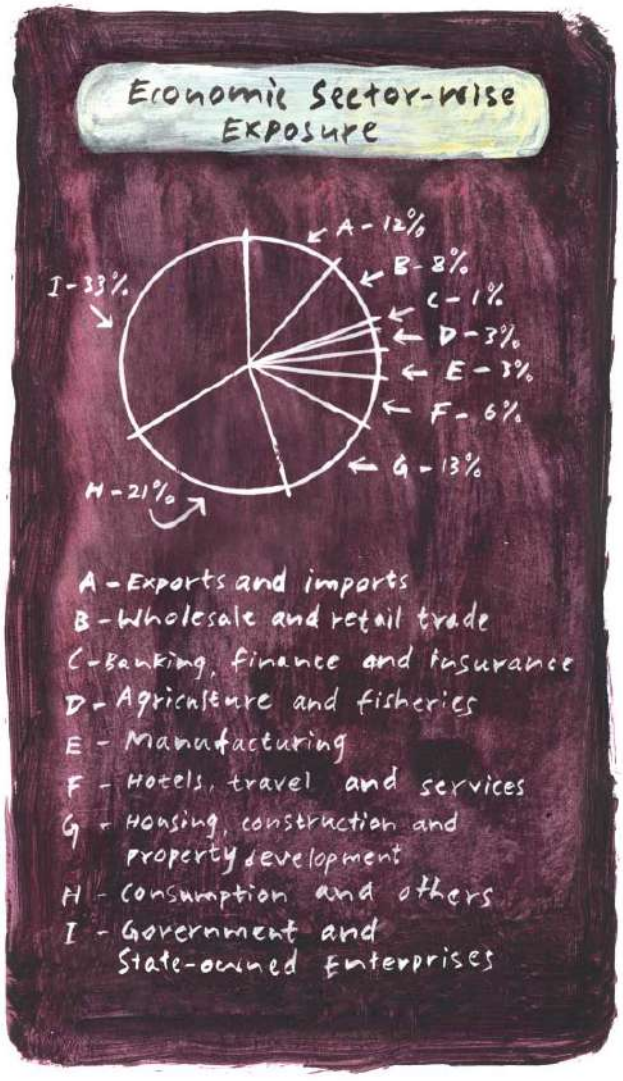
The Bank structures the levels of credit risk it undertakes by placing single borrower limits both at individual and group levels and to geographic and industry segments with a view to maintaining a well-diversified portfolio.

Limits on the level of credit risk by product, industry sector and country are approved by the Board of Directors. Such risk limits are monitored on a regular basis and subject to an annual or more frequent review, as and when considered necessary.

Portfolio Diversification

Maintenance of a well-diversified loan portfolio is a key element of mitigating credit risk. The Bank monitors credit risk on a portfolio basis to manage concentration risk. Periodic monitoring of the loan portfolio is done to track the migration of borrowers to ensure the asset quality of the portfolio. Frequent reviews for 'high risk accounts' and quarterly reviews for 'watch listed' accounts are done to ensure adequate assessment of quality across the portfolio. Lending guidelines are issued to facilitate the timely identification of actions whether to increase, reduce, temporary, maintain, decline or exit from certain categories. Regular reviews are undertaken with regard to monitoring and controlling additions to non performing advances.

INDUSTRY CONCENTRATION



Industry Concentration

During the year the Bank experienced a significant decline in direct government lending (36% and 33% respectively as at 31 December 2008 and 2009) in which we had a considerable exposure. The loan portfolio is well diversified across the major industry sectors such as Exports, Imports, Wholesale & Retail, Construction, Banking Finance & Insurance, Housing & Property Development etc., as shown in the diagram below.

Geographical Concentration

The Bank has already taken steps to leverage on emerging opportunities through extensive development efforts in the North, East & South and thereby reduce the level of concentration to any one province. Further, strategies have been developed to gradually improve penetration to low risk industries, small and medium enterprises and micro credit industries in the rural sector outside the Western Province.

Segmental Concentration

The Bank has a well-diversified portfolio comprising Corporate, SME, Retail and Micro Finance segments. Bank continuously monitors and assesses the external factors which have an impact on the portfolio and takes proactive measures to mitigate these risks.

Collateral Management

Bank traditionally uses collateral to provide security against the possibility of payment default by counterparties in banking transactions.

Credit risk exists in any banking transaction which is not executed on a strictly cash basis. Collateral is usually required from the counterparties in respect of transactions which carry credit risk to mitigate the risk of payment default. Collateral can be in the form of cash, securities (high grade corporate stocks, bonds or Government bonds), inventories, receivables, real estate, etc.

Collaterals are used in the Bank as a trade facilitation tool which enables the Bank and customers to transact with one another when they would otherwise not be able to do so due to credit risk limits or other operational reasons.

The Bank sets guidelines on characteristics and acceptability of specific classes of collateral. The principal collateral types for loans and advances are:

- Mortgages over residential properties.
- Charges over business assets such as premises, inventory and accounts receivable.
- Charges over financial instruments such as debt securities and equities.

Provisioning Policies

Provision for non performing loans and advances are made on the basis of a continuous review of all loans and advances in accordance with the applicable Accounting Standards and the regulations imposed by the Central Bank of Sri Lanka. Bank's provisioning policy has been discussed in detail under the Accounting Policies on page 129.

Maximum exposure to credit risk before collateral held or other credit enhancements

	2009 Rs. million	2008 Rs. million
Credit Risk Exposure relating to On-Balance Sheet Assets		
Loans to GOSL	65,206	68,111
Loans to Other Sovereigns	1,322	1,795
Placements & Loans to Banks & Financial Institutions	53,132	26,997
Loans to Corporates	51,891	62,290
Loans to Retail		
- Mortgages	15,852	16,110
- Loans Secured by Cash & Gold	69,783	62,847
- Government Securities	26,447	30,945
- Others	27,802	16,953
Loans to Public Sector Entities (PSEs)	126	831
Non Performing Assets (less specific provisioning)	7,499	5,979
Financial Assets		
Held for Trading		
Treasury Bills Held for Trading	9,698	5,752
Treasury Bonds Held for Trading	12,932	17,021
Held to Maturity		
Treasury Bonds Held to Maturity	51,384	40,929
Sri Lanka Development Bonds Held to Maturity	73,205	67,539
Treasury Bonds Restructuring	8,547	8,547
Reverse Repurchase Agreements with Financial Institutions	6,615	1,760
Accrued Interest Receivable Placements and Securities	2,884	2,948
Treasury Bonds & Bills in Overseas Branches & Others	4,111	2,677
Equity Investments		
Shares - not listed Non Trading	949	970
Unit Trusts - not listed Unit Trusts	1,111	1,111
Investments in Associates and Subsidiaries	2,524	2,524
Shares & Unit Trusts - publicly listed Trading	854	111
Other Assets		
Balance at CBSL in Sri Lanka Rupees (LKR)	13,910	13,845
Cash & Balance at Other Banks	13,423	10,025
Other Assets	11,420	11,334
PP&E	5,724	5,018
On-Balance Sheet Exposure as at 31 December	**538,350**	**484,968**
Credit Risk Exposure relating to Off-Balance Sheet Assets		
Direct Credit Substitutes	14,449	20,753
Transaction-Related Contingencies	179,969	93,764
Short Term Self-Liquidating Trade-Related Contingencies	9,053	27,241
Undrawn Overdraft Facilities/Unused Credit Cards	14,846	15,831
Foreign Exchange Contracts	27,928	23,053
Off-Balance Sheet Exposure as at 31 December	**246,245**	**180,642**

The above table represents a worst case scenario of credit risk exposure to the Bank at 31 December 2009 and 2008, without taking account of any collateral held or other credit enhancements attached.

ASSET QUALITY INFORMATION

Loans and Advances

	2009		2008	
	%	Amount Rs. million	%	Amount Rs. million
Performing Loans	94.35	259,480	95.08	267,063
Non performing Loans				
Special mention category	1.74	4,782	1.43	4,007
Substandard	0.48	1,313	0.79	2,210
Doubtful	0.47	1,281	0.25	691
Loss	2.97	8,166	2.46	6,908
	5.65	15,542	4.92	13,816
Total Exposure		275,022		280,879
Less:				
Specific provision for loans & advances		(8,042)		(7,837)
General provision for loans & advances		(1,914)		(1,936)
Net loans and advances		265,066		271,106

Loans and Advances

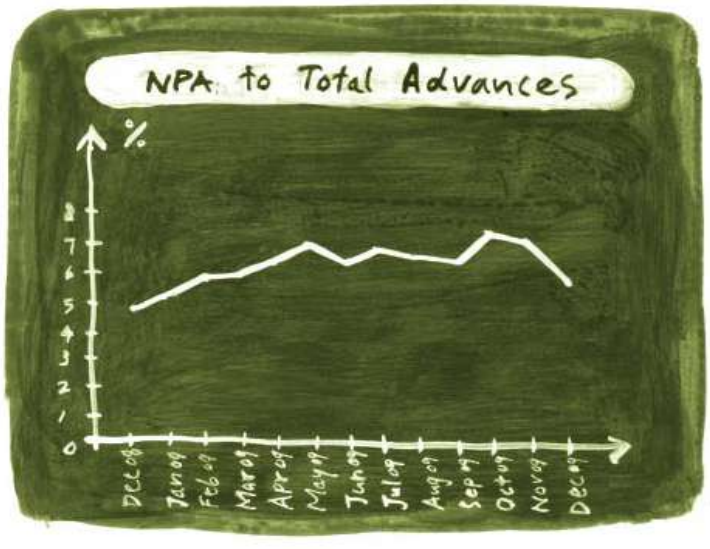
The Bank measures, monitors and manages credit risk at transaction level, customer level, and also at portfolio level. The Bank has a well established credit approval process, which includes procedures for comprehensive credit appraisal and an internally developed system of customer risk rating. The Bank has developed an internal credit rating model for corporate borrowers to quantify the credit risk. Both quantitative and qualitative factors have been incorporated for the rating model and it serves as an input in the approval as well as post-approval credit processes. The rating for every borrower is reviewed at least annually.

The Bank has moved towards risk based pricing in a more systematic manner to ensure optimum allocation of capital and to ensure that adequate return is earned on the allocated capital. With the procurement of Basel II Advanced Risk Management Software existing credit approval infrastructure will be upgraded to improve MIS functionalities and deeper analysis of credit risk of the Bank.

Non Performing Advances

The global economic environment had its impact on our economy which severely affected some of our customers. The Non Performing Advances (NPA) of the Bank increased in absolute figures from Rs. 13.8 billion to Rs. 15.5 billion while NPA ratio increased to 5.65% from 4.92% reflecting the market trend in the year concerned. In the circumstances and given the socio-economic role the BOC is required to play, we extended a lifeline to several companies to weather the storm during this difficult period. In many cases we restructured companies and provided extended terms for recovery, having duly recognised the difficulties in the market for many of our local and export oriented companies. As such we acted as business partners in the true sense with our customers so that they will be in a position to take advantage of any revival in the economy.

The Bank continuously emphasises on good asset quality by exercising care in the evaluation of credit proposals whilst maintaining a high level of training and skills improvement of its staff at all levels and has placed emphasis on regular monitoring of facilities and credit counselling. We continue to take intensive follow up action on transfers to NPA with a view to re-transfer them to the performing portfolio.



Debt securities and other bills

For debt securities, external ratings are used by treasury for managing of the credit risk exposures supplemented by the Bank's own assessment through the use of internal rating tools.

MARKET RISK

Market risk is the risk that the fair value of future cash flows of financial instruments may fluctuate due to changes in market prices. The open positions, the Bank carries in interest rates, currency and equity products which are exposed to general and specific market movements and changes in the level of volatility of interest rates, foreign exchange rates and equity prices generate market risk to the Bank.

Market risk relates to both trading and non trading activities of the Bank.

Bank's market risk management objectives enable it to understand and manage market risk through robust measurement and setting of position limits and to facilitate business growth within a controlled and transparent risk management framework of the Bank.

Market Risk Measurement Techniques

There are various techniques that can be used to measure market risk. The major measurement tool used by the Bank to measure and control market risk is Value at Risk.

Value at Risk (VaR)

VaR is a statistically based estimate of the potential loss on the current portfolio due to adverse market movements. It expresses the maximum amount the institution may lose over a given time horizon at a certain level of confidence. Therefore there is still room for actual loss to exceed the VaR estimate. VaR model assumes a certain "holding period" until positions can be closed. It also assumes that market moves occurring over this holding period will follow a similar pattern to those that have occurred over a similar period in the past. The Bank has in place VaR limits for its fixed income trading portfolio. Calculation of VaR on Foreign Exchange risk and Equity risk etc., has been discussed under the Exchange Risk Measurement and Mitigation.

Interest Rate Risk

The Bank's lending, funding and investment activities give rise to interest rate risk. The immediate impact of variation in interest rate is on the Bank's net interest income, while the long term impact is on the Bank's net worth since the economic value of Bank's assets, liabilities and Off-Balance Sheet exposures are affected.

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of the changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument fluctuates because of changes in market interest rates.

The Bank uses gap analysis to measure the re-pricing risk of Bank's assets & liabilities in order to asses the impact from interest rate changes and thereby on the profitability of the Bank. Based on the outcome, Bank takes measures to mitigate any possible adverse impact.

The Bank will be taking steps to implement stress testing and scenario analysis to complement VaR in order to enhance the risk measurement process and to take remedial action in a dynamic manner.

Interest rate risk exposure

Bank's Net Interest Margin (NIM) is monitored for variances and appropriate remdial action is taken. This initiative resulted in maintaining NIM at an acceptable level, which ensured that the projected earnings of the Bank were within the expected levels. (See page 39)

LIQUIDITY RISK

Liquidity risk is the inability of a financial institution to fulfil its payment commitments on a given date due to unforeseen factors or be forced to borrow funds on unfavourable terms.

The Bank views liquidity management as integral to other key elements such as capital adequacy, asset quality and profitability. The management of liquidity encompasses an overall Balance Sheet approach which draws together all sources and uses of liquidity.

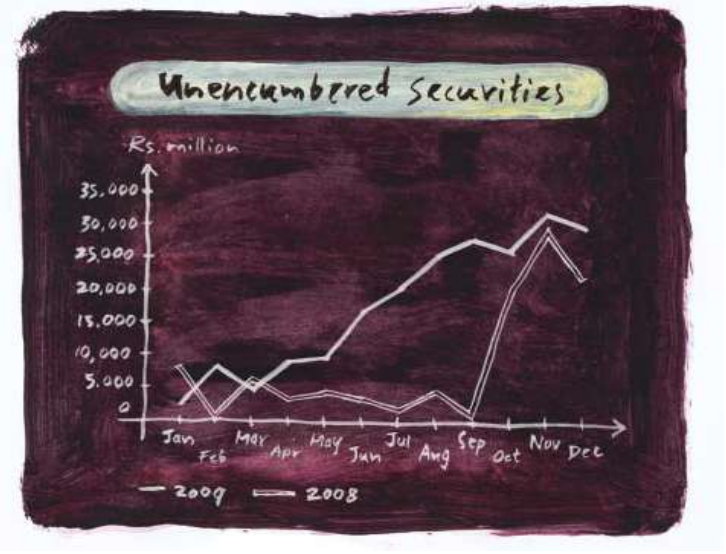
The Asset & Liability Management Committee (ALCO) is primarily responsible for the management of liquidity in accordance with the Board approved Asset & Liability Management Policy (ALM Policy) of the Bank.

The wide network of branches across the length and breadth of the country and the Government being a major stakeholder in the Bank gives it a competitive advantage to attract a stable deposit base. Consequently, these deposits form a significant part of its overall funding. The Bank places considerable importance on the stability of its savings deposits. Although the contractual re-payments on savings deposits are at short notice, the behavioural analysis of such deposits shows the characteristics of long term stability.

The Bank maintained a Statutory Liquid Assets Ratio exceeding the statutory minimum of 20% throughout the year both in Rupees and Foreign Currency.

Liquidity Risk Measurement and Mitigation

The Bank continuously monitors the liquidity position through maturity gap reports and the deviations from the funding plan and takes adequate measures to arrest any unfavourable situations. Contingency plans are in place to meet any unexpected liquidity shortages. These include committed borrowing lines, lines for Rupee generation swaps and through the maintenance of unencumbered approved securities to be used in borrowing through the Central Bank of Sri Lanka Reverse Repo window.



EXCHANGE RATE RISK

Exchange rate risk is the risk arising from unhedged foreign exchange positions.

Exchange Risk Measurement and Mitigation

The Bank has formulated its guidelines on foreign exchange open positions to comply with Central Bank of Sri Lanka's (CBSL) directives. The daily open positions are monitored by the IIRMD which carries out the Middle Office functions.

The Value at Risk of the net open foreign exchange positions of the Bank at the 99% confidence level as at 31.12.2009 was Rs. 0.7 million against Rs. 8.04 million of the net open position as at 31.12.2008 indicative of the stability of LKR in 2009. The Bank is also in the process of formulating volatility based exposure limits for currencies in order to have dynamic working guidelines for treasury operations.

EQUITY RISK

Equity price risk is the risk to earnings or capital that results from adverse changes in the value of equity related portfolios of the Bank. Price risk associated with equities could be systemic or non-systemic. The former refers to the sensitivity of the value of the portfolio to changes in overall level of equity prices, while the latter is associated with price volatility that is determined by firm specific characteristics.

Equity Risk Measurement and Mitigation

The equity transactions are governed by the Board approved Investment Policy and is implemented by the Investment Committee of the Bank. The Committee convenes at least fortnightly and reviews the market trends and the performance of the Bank's equity portfolio.

Investment Committee takes into account the guidelines issued by the CBSL and the Securities & Exchange Commission (SEC) to articulate short term strategies and also long term objectives. Accordingly, the Investment Committee with the approval of the Board of Directors has set up operating limits such as Sector wise exposure limits, Single entity exposure limits, Portfolio limits, Loss limits etc., to mitigate the risk to the Bank from equity operations.

Sector	Exposure as at 31.12.2009		Exposure as at 31.12.2008	
	No. of Shares	Market Value Rs. '000	No. of Shares	Market Value Rs. '000
Banks & Financial Institutions	5,441,445	974,468	572,645	35,623
Diversified Holding	1,320,884	206,178	446,284	22,583
Manufacturing	14,927,009	447,993	9,800,809	67,877
Hotels & Travel	1,442,600	72,606	65,000	1,609
Power & Energy	1,568,400	29,946	292,100	4,562
Services	214,000	9,844	242,700	6,806
Motors	18,000	1,157	41,900	1,393
Plantations	72,500	2,425	14,500	406
Health Care	356,672	5,109	9,600	430
Beverage, Food & Tobacco	30,000	1,958	1,000	32
Chemicals & Pharmaceuticals	1,185,300	74,674	80,600	2,317
Construction & Engineering	75	18	1,575	79
Investment Trust	11,000	1,493	–	–
Total	26,587,885	1,827,869	11,568,713	143,717

Going forward it is the intention of the Bank to apply current risk mitigation techniques such as VaR and Stress Testing to the equity portfolio of the Bank.

The Bank's dynamic risk management strategies and the diversification of the trading portfolio of equities resulted in the 1day VaR at 99% confidence level being reduced to 4.24% of the portfolio value as at 31st December 2009 whereas the VaR figure was 23.74% of the portfolio value as at 31st December 2008 indicative of the prudent management of the risk in the equity portfolio through diversification to minimize the effects of volatility.

OPERATIONAL RISK

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. It includes hidden dangers that do not fall under the umbrella of market or credit risk.

Operational risk is an unavoidable part of the Bank's business as it is inherent in all the processes and operations which provide services to customers. Operational risk management does not remove the risk of operations altogether, however through better management we are able to improve this risk to an acceptable level and to create an environment where it is safe to fail.

The Bank has established a strong internal control environment which has evolved over its 70 year history and has been continuously reviewed and updated by Internal Audit. Operational Risk Management is an integral part of the duties of our senior management within each business unit and departments are responsible for maintaining an acceptable internal control environment in their business units.

Operational Risk Management Executive Committee (ORMEC)

ORMEC provides a forum for addressing cross-functional operational risk issues and to implement and maintain the highest operational standards for the Bank. It reinforces the governance of the risk management programme under the responsibility of senior management. The Committee provides the means for implementation of an Enterprise-wide operational risk management programme.

The primary function of the Committee is to assist the IRMC to discharge its statutory duties and its responsibilities in relation to operational risk management of the Bank. ORMEC is responsible for the introduction and implementation of operational risk methodologies, tools and maintaining loss event databases.

Operational Risk Management Measurement and Mitigation

At present the Bank adopts the Basic Indicator Approach (BIA) in computing regulatory capital charge for operational risk and will be progressively moving towards the Advanced Measurement Approach (AMA) in the future. With this objective in mind the Bank is rationalising processes in order to minimise operational risk arising from inadequate or failed internal processes and systems. In this regard the Bank has initiated a programme to implement ISO 9001:2008 initially to the operational departments and eventually across the entire Bank.

In line with Basel II Framework the Bank uses the following key operational risk management techniques:

Risk and Control Self-Assessment (RCSA)

The Bank's RCSA programme includes formal reviews of significant operations to identify and assess operational risks and controls.

The Bank has developed a 'RCSA Matrix' as regards to the RCSA programme and commenced introducing the RCSA matrix to business units, which involves detailed process analysis by the business units to identify and assess operational risks inherent in their businesses and processes to ensure that they are effectively managed, prioritised, documented and aligned to the Bank's risk appetite. This year two business units successfully implemented the RCSA programme by identifying risk events, and where appropriate business line managers developed action plans to further mitigate identified risks in those processes.

The matrix is monitored and reviewed quarterly by the business units and the summarised results are reported to ORMEC and to the IRMC.

Loss Data Management

The Bank's operational loss event database captures information on operational losses. With this in mind the Bank has implemented a mechanism for "Tracking of Operational Loss Event Data" and a process to collate information on "Events Disrupting Business Continuity" in the Bank.

In accordance with the Bank's internal loss event data management process it captures all operational risk loss events above a threshold. This is used to enhance the adequacy and effectiveness of controls, identify opportunities to prevent or reduce the impact of reoccurrence, identify emerging trends, enable formal loss event reporting, assist risk and control assessments and scenario analysis.

Operational loss events are categorised under the following headings:

- Internal Fraud
- External Fraud
- Employment Practices and Workplace Safety
- Clients, Products and Business
- Damage to Physical Assets
- Business Disruption and System Failures
- Execution, Delivery and Process management

The scope of the Bank's operational loss event data capturing process within the centralised database continues to be enhanced.

Key Risk Indicators (KRI)

Business units monitor KRIs against their material risks. These indicators are used to monitor the operational risk profile and exposure to losses against thresholds which trigger risk management actions.

KRIs are being developed for each business unit based on the results of RCSAs and those KRIs are reviewed at monthly Managers' meetings.

Scenario Analysis

Scenarios for operational risk are used to assess the possible impact of extreme but plausible operational risk loss events. Scenario assessments provide a forward-looking basis for managing exposures that are beyond the Bank's risk appetite.

Business Continuity

A key function of risk management is to manage crisis situations and to ensure continuity of business across the Bank. The Bank's Business Continuity Plan (BCP) is a component of Business Continuity Management. It is a comprehensive plan of actions that sets out the processes, procedures and systems that is necessary to continue or restore the operations of the Bank in the event of various categories of disasters based on several levels of severity.

The Bank has a Business Continuity Coordinating Unit responsible for governance and oversight of the Bank's business continuity and tracks, monitors and ensures compliance with documented policies. It ensures that all business units develop business continuity capabilities for their respective functions which are then tested from time to time. As a key requirement of the Bank's BCP it has established a comprehensive off-site Disaster Recovery Centre outside city limits with alternative arrangements to facilitate key operations in the event of various defined events.

Information Security

The Bank is committed to secure customer as well as Bank information by developing, maintaining and implementing policies and systems and strict measures are enforced to assure the safety, confidentiality and security of such information.

The Bank has an Information Security Policy aligned to international standards and regulatory requirements. Information System Security Policies and Procedures Unit continues to implement policies and procedures to enhance and maintain information security controls and systems. Bank complies with Security Standard ISO 17799.

Insurance

The Bank's risk mitigation programmes include insurance and where feasible and appropriate, to transfer the risk of high severity losses arising from fraud and external events such as natural disasters, theft, burglary that are beyond the control of the Bank.

COMPLIANCE

In keeping with our core values, the Bank complies with the highest professional standards of integrity and behaviour, which builds trust, while complying with all legal and regulatory requirements both to the letter and spirit of the law. The Bank has recognised the need for the highest standard of compliance and the application of best practices.

The Compliance Division operates within the IIRMD, and compliance functions are decentralised throughout the branch network with the branch management required to adhere to stringent compliance standards. Where appropriate, certain cross-enterprise compliance functions, such as Compliance Monitoring are centralised and report directly to the Compliance Officer. Compliance risk is managed through internal policies and processes, which include legal, regulatory and other technical requirements relevant to the business. The Bank provides regular training to ensure that all employees are familiar with regulatory obligations and also provides advice on regulatory issues. Compliance staff independently monitors the business units to ensure adherence to policies and procedures and other technical requirements. Compliance staff works closely with the business and operational units to ensure consistent management of compliance risk. All senior management of the Bank in particular the AGM Risk Management and Compliance and the Area Compliance Officers are charged with developing and maintaining constructive working relationships with regulators and supervisors in the geographies the Bank operates in.

Anti-Money Laundering/Combating Terrorist Financing (AML/CTF)

There has been considerable focus on implementing new directives and legislative requirements related to anti-money laundering and financial crime across the globe. In response to international best practice standards of anti-money laundering and combating terrorist financing, the Government of Sri-Lanka has enacted laws on Anti-Money Laundering/Combating Terrorist Financing (AML/CTF). BOC's policies and procedures have been reviewed and aligned with the new regulations. The Bank implemented procedures to ensure compliance with these directives in particular "Know Your Customer and Customer Due Diligence" (KYC & CDD) rules of the CBSL which include obligations such as mandatory reporting - customer identification and verification, record-keeping, and the reporting of suspicious transactions etc. AML/CTF programmes of the Bank include enhancing policies and procedures and an extensive training and awareness programmes for employees. strict KYC/CDD measures have been applied for all BOC customers including all correspondent bank relationships.

New Products

The Bank's compliance involvement in the early stages of product development has built the right controls into the processes and systems from the start. We expect this to create more value in the future while changing the business processes to meet the requirements to efficiently deliver a superior product.

Regulatory Compliance

The compliance division is responsible for legal and regulatory compliance and the dissemination of regulatory instructions across the Bank. As per the Corporate Governance directives, the Board ensures compliance with all regulatory and supervisory requirements. The Bank has a close working relationship with the CBSL, SEC and other regulators, whilst establishing compliance related policies and procedures on legal, regulatory and ethical standards to cover all areas of operations.

BASEL II AND ECONOMIC CAPITAL

The Basel II Capital Accord has a three-pillar mutually reinforcing structure and addresses three types of risk; Credit, Market and Operational risk. Pillar 1 focuses on the calculation of minimum capital required to support credit, market and operational risks in the business, whilst Pillar 2 involves Supervisor Review of capital adequacy and the Internal Capital Adequacy Assessment Programme (ICAAP) and Pillar 3 focuses on Market Discipline through public disclosure of various financial and risk indicators.

The Bank adopted the Basel II method of capital adequacy computation from 01 January 2008. For Credit risk and Market risk, the Bank uses the Standardised Approach (SA) for calculating risk weighted assets. For Operational risk, the Bank uses the Basic Indicator Approach (BIA), which calculates capital charge for operational risk based on gross income.

The Bank has embarked on the necessary project work to adopt the Advanced approaches for the above risk categories with the help of a comprehensive risk management system which will also assess the Economic Capital requirement. The Bank is on target to achieving full compliance ahead of the regulatory deadline of 2013.

What's the mould? In a world increasingly bombarding one with 'messages' from all quarters... the media, the web, other cultures...people, youth in particular, are succumbing to pressure... becoming 'cocooned' in the garb fashioned by the external environment

Does It Matter?

SUSTAINABILITY REPORT

CHAIRMAN'S MESSAGE

I take pleasure in presenting to you the Sustainability Report of the Bank of Ceylon for the year 2009.

I am also pleased to inform you that this is BOC's first report prepared in accordance with GRI (Global Reporting Initiative) standards, thus placing our stewardship of the Bank and its resources within a universally accepted sustainability reporting format.

Pre-2009, before the conflict in Sri Lanka ended, the Bank's strategy was aligned with a predominantly traditional banking model, where a substantial dependence on an interest margin driven bottom line prevailed. The Bank was compelled to continue this pure-play banking strategy for decades as a result of an economic 'road block' by war.

Being the 'Bankers to the Nation', our stance of continued support to the Government mandate as a financial partner in difficult economic situations, often overrode our own objectives of profitability. This was an era where the Bank's own priorities became secondary to national interests at the expense of our competitive image in the sector.

As we have maintained throughout this Annual Report, the cessation of conflict in mid-2009 was a landmark event, opening up unprecedented opportunities and challenges. We have before us avenues of opportunity that may often require us to rethink our role and strategy; they may prompt us to re-evaluate our systems, procedures and products and to self-examine whether we have the 'right people' talking to the 'right people' in optimising benefits for the Bank, stakeholders and the nation.

The areas of challenge present themselves as we position the Bank, its strategy, products, services and infrastructure to make optimal use of the opportunities arising from peace and development concurrently with the global economic crisis showing sign of easing.

Therefore, our post-war strategy of banking was completely revisited soon after the war ended and as mentioned in the Chairman's Review and the Management Discussion and Analysis, a completely different corporate plan was developed and inducted in the Bank, which focuses on new ways of banking and tapping impending opportunities.

Our strategy focuses on the emerging technological trends that have relevance for the banking industry, changing business needs and talent gaps and new business which will see the Bank embark on a totally new learning curve in preparation for the new era.

This is the context within which the Bank presents to you an account of the conduct of its business in a sustainable manner across economic, social and environmental parameters.

Dr. Gamini Wickramasinghe
Chairman

18 March 2010
Colombo

ORGANISATIONAL PROFILE

Ownership

The Bank of Ceylon is wholly owned by the Government of Sri Lanka.

Legal Form: Details appear in Corporate Information on page 237.

Scale of the Bank of Ceylon

The scale of the Bank's enterprise is best highlighted by the following factors reported on as at the end of 2009.

The Bank employs a total of 7538 employees. Total income earned was Rs. 63,461 million. Its capitalisation consisted of Debt of Rs. 22,936 million and Equity of Rs. 24,899 million. The Bank's total assets stood at Rs. 538,241 million.

Location of the Bank's Headquarters

Please refer Corporate Information appearing on page 237.

A detailed description about the Bank is given in the Management Discussion & Analysis on page 24.

Operational Structure of the Organisation

Details pertaining to the Bank's operating companies, Subsidiaries and Associates appear on page 214.

The chart below presents a 'snapshot' of the Bank's composition of enterprise:

Major Areas of Business	Policy & Control	Support Services
• Corporate Banking	• Finance & Planning	• Human Resources
• Offshore Banking	• Risk Management & Compliance	• Information Technology
• Treasury Operations	• Internal Audit	• Legal
• Retail Banking	• Business Process Re-engineering	• Other Support Services - Security - Transport - Procurement & Supplies - Premises
• Development Banking		• Central Back Office
• Personal Banking		• Marketing
• Islamic Banking		• Research & Development
• International Banking & Overseas Branch Operations		
• Investment Banking		
• Recovery		

Markets Served - A Geographic Perspective

Our Local Footprint

The Bank operates a total of 826 Service Points within Sri Lanka as at 31 December 2009. Further details of the BOC Network appear on pages 220 to 228.

Our Global Footprint

The BOC operates in Sri Lanka as well as several countries internationally, namely, the United Kingdom,, Maldives and India. Further, the Bank has appointed its representatives at exchange houses in the following countries of the Middle East – Doha in Qatar, the United Arab Emirates, Kuwait, Bahrain, Oman, the Kingdom of Saudi Arabia, Israel and Jordan.

Also we have Business Promotion Assistants functioning in Italy and Japan.

Markets served - Sector-wise

In addition to direct financial services, the Bank provides the following services too:

- Primary dealing
- Forex & fund management
- Cash/working capital management services
- Fund transfer services
- Travel services
- Credit/Debit cards
- Gold sales
- Safe custody vault services
- Insurance services
- Trade information & help desk
- e-Channelling
- Services to enhance knowledge of schoolchildren through Money & Banking Museum

For information on concentration of credit risk and segment analysis of the Bank, please refer to the notes to the Financial Statements on pages 158 and 192.

Products and Services

The products and services provided by the Bank in its capacity as Sri Lanka's pioneer state-owned commercial bank appear on page 107.

The Extent of Outsourcing Used by Bank of Ceylon in Providing Products and Services

The Bank sources a number of non-core activities and staff from external service providers.

These include the printing and dispatching of account statements/balance confirmations/ renewal notices/letters and other print matter, couriering functions, sourcing of support staff such as secretarial assistants, messengers, data entry operators, drivers and security personnel among others. Janitorial services, IT support services, tax consultancy services and the maintenance of the Bank's Debenture Holders' Register are also among outsourced services.

Significant Changes in Terms of Size, Structure and/or Ownership

While continuing the expansion of services during the year, it necessitated a change to the size particularly, the branch network and other key customer contact points.

Year	No. of Branches	No. of Extension Offices	No. of ATMs	Total Service Points
2008	309	146	251	706
2009	310	192	329	831
Additions	01	46	78	125

However, there have been no changes in Share Capital Structure and Other Capital Formation of the Bank during the year under review.

Awards Received within the Reporting Period

The Bank was felicitated for several achievements during the year 2009. Details of these awards are given in the chart below.

BANK OF CEYLON

Awards Received During the year 2009 for the Annual Report 2008

Competition	**: Best Presented Accounts Awards Competition 2008**
Organised by	: South Asian Federation of Accountants (SAFA)
Awards	: Public Sector Entities - Winner
Competition	**: Chartered Accountants Annual Report Awards Competition 2008**
Organised by	: The Institute of Chartered Accountants of Sri Lanka
Awards	: Sector - Banking Institutions - Bronze
Competition	**: Vision Awards 2008**
Organised by	: League of American Communications Professionals LLC (LACP)
Awards	: 1. Overall Annual Report (Banking Sector, Turnover $ 100 million – 1 billion) - Gold
	2. Best Annual Report Narrative - Asia Pacific Region - Silver

BANK OF CEYLON

Awards Received During the year 2008 for the Annual Report 2007

Competition	: **International ARC Awards 2008**
Organised by	: Mercomm, Inc
Awards	: Non-Traditional Annual Report - Gold
Competition	: **Vision Awards 2007**
Organised by	: League of American Communications Professionals LLC (LACP)
Awards	: 1. Overall Annual Report (Banking Sector, Turnover $ 100 million – 1 billion) - Platinum
	2. 90th position in the World's Top 100 Annual Reports of 2007
Competition	**: Best Presented Accounts Awards Competition 2007**
Organised by	: South Asian Federation of Accountants (SAFA)
Awards	: Public Sector Entities - Gold
Competition	**: Chartered Accountants Annual Report Awards Competition 2007**
Organis ed by	: The Institute of Chartered Accountants of Sri Lanka
Awards	: 1. Overall Annual Report 2007 (Banking Sector) - Bronze
	2. Corporate Social Responsibility - Bronze

BANK OF CEYLON

Awards Received During the year 2007 for the Performance and Annual Report 2006

Competition	**: Ten Best Corporate Citizens' Awards 2007**
Organised by	: Ceylon Chamber of Commerce
Awards	: CSR Award for Education & Training: 'Viyaparika A-Z' programme
Competition	**: National Business Excellence Awards 2007**
Organised by	: National Chamber of Commerce of Sri Lanka
Awards	: 1. Excellence in Business and Financial Sustainability - Winner
	2. Banking sector – Runner-up
Competition	: **SLIM Brand Excellence Award 2007**
Organised by	: Sri Lanka Institute of Marketing (SLIM)
Awards	: Turnaround Brand of the Year - Ran Surekum - Bronze
Competition	**: International ARC Awards 2007**
Organised by	: Mercomm, Inc
Awards	: Non-Traditional Annual Report - Gold
Competition	**: Vision Awards 2006**
Organised by	: League of American Communications Professionals LLC (LACP)
Awards	: 1. Overall Annual Report (Banking Sector, Turnover $ 100 million – 1 billion) - Platinum
	2. Best Report Financials - Bronze
	3. 37th position in the World's Top 100 Annual Reports of 2006
Competition	**: Best Presented Accounts Awards Competition 2006**
Organised by	: South Asian Federation of Accountants
Awards	: 1. Public Sector Entities - Winner
	2. Banking Sector - Runner-up
Competition	**: Chartered Accountants' Annual Report Awards Competition 2007**
Organised by	: The Institute of Chartered Accountants of Sri Lanka
Awards	: 1. Overall Annual Report 2006 (Banking Sector) - Merit
	2. Corporate Social Responsibility - Gold

Report Parameters

Report Profile

This is the first Sustainability Report prepared by the Bank in accordance with the guidelines of the Global Reporting Initiative. It covers the financial year ended 31 December 2009. The Bank has decided to publish this Report annually.

The Finance and Planning Division of the Bank of Ceylon is the contact point for any inquiries or clarifications regarding contents of this Sustainability Report. The Finance and Planning Division is located at the 10th Floor, Bank of Ceylon, No. 4, Bank of Ceylon Mawatha, Colombo 01, Sri Lanka. For any information or clarification, please write to the above address or e-mail to: boc@boc.lk

Report Scope and Boundary

The main challenge the Bank faces at present is managing its business in the context of a rapidly-changing business environment whilst satisfying varied and sometimes conflicting stakeholders' requirements. The scope of this Report is therefore, defined to elaborate how the Bank will bring value to stakeholders whilst managing the changes in the business, social, economic and political environments.

At the outset, the content of this Report is limited to the domestic operations of the Bank. The data relevant to our overseas operations will be made available in future Reports.

A summary of stakeholder engagement appears on pages 79 and 80 of this Report.

The financial data presented in this Report have been extracted from the Financial Statements that have been audited by the Auditor General and his Report is given on page 119 of this Annual Report. The Financial Statements have been prepared in accordance with the Sri Lanka Accounting Standards issued by The Institute of Chartered Accountants of Sri Lanka.

The data relevant to economic, environmental and industrial areas have been compiled from actual data maintained by various organisations and by the business units of the Bank.

Governance

The momentous events of the past two years that triggered the global economic recession the world is struggling to emerge from today, make one precept crystal clear.

Lax governance breeds chaos.

The BOC has from its inception enacted a prudent and well-founded governance structure that effectively encompasses the Bank's business in its totality.

This is one of the factors from which the Bank derives its superior strength and unparalleled good reputation.

For information pertaining to the Governance structure of the organisation, its Chairman and the composition of its Directorate with particular reference to their independence and nature of employment, please refer the Corporate Governance Report appearing on pages 48 to 61.

Stakeholder Engagement

We have identified Customers, Shareholders and other Fund Providers, Employees and their Trade Unions, the Community, Suppliers and Regulators as our main Stakeholders. These are the stakeholders who can influence or be influenced by the achievement of/or failure to achieve the Bank's objectives.

The Bank always sets standards and policies to bring value to its stakeholders and maintains a regular engagement with key stakeholder groups. The engagement varies from regular meetings, press releases, surveys, discussions and other forms of communication as explained in the table below.

Stakeholder group and objectives	Important matters featured during engagement	Means of address/frequency of response
Customers Our objective is to foster a mutually rewarding customer relationship with all our customers exceeding their expectations.	• Introduction of new products that meet customer requirements. • Changing the features of existing products and services to re-align them with the requirements of customers. • Enhancing channels/points for customer convenience. • Leveraging technology to enhance efficiency and effectiveness of customer service points.	• Linking all the branches to one system. • Enhanced ATM network. • Introduced mobile banking. • Introduced internet banking. • Providing special services at customer points.
Shareholder and Other Fund Providers Being a 100% Government-owned Bank, our objective is to be one of major contributors to national economic development whilst creating wealth for future growth.	• Managing business performance for the development of national economy. • Planning to create capital for future growth of the Bank. • Establishing proper dividend policy for the Bank. • Implementing a robust risk management policy in the Bank. • Embedding effective internal control systems with proper reporting structures into key business processes. • Complying with all regulatory and statutory requirements. • Reassuring all other fund providers that their funds are in safe hands. • Ensuring adequate and timely communication with the shareholders and other fund providers such as debenture holders.	• Publishing Annual Reports. • Publishing Interim Financial Statements in the press at the end of each quarter. • Press conferences and media releases. • Updating the corporate website on a regular basis. (www.boc.lk). • Introduction of Integrated Risk Management System in the Bank which is being benchmarked with international best practices. • Absorbing more personnel who are professionally qualified to the Internal Audit Unit.
Employees and their Trade Unions Our objective is to give all our staff the best possible recognition and reward to motivate them to be the best team of achievers in service excellence	• Ensuring that recruitments and promotions are based on qualifications and merits. • Absorbing more professionals to the cadre. • Delivering training and development to all levels of staff. • Providing opportunities for job enrichment and career development. • Encouraging an effective extra-curricular regime of religious/sport and social activities in the Bank. • Ensuring the health and safety of the staff members. • Providing every opportunity for emancipated grievance handling.	• Recruitment and promotion policy was well-defined and maintained its transparency at all times. • Over 6,000 employees participated in training programmes conducted for their career development, out of which over 200 employees were sent on overseas training. • Investments in training and development increased by nearly 40% during the year. • Employee health and safety policy implemented. • All staff encouraged to attend inter-bank competitions, inter-branch competitions and competitions at national level. • Collective Agreement negotiations finalised with employee unions. • Cultural show held to highlight the talents of staff, commensurate with Banks' 70th Anniversary.
Community Our objective is to provide world class banking services across the nation and thus for the Bank to be seen as a true enabler of the community and a beacon for progress and growth of the nation.	• Increasing investments in corporate social responsibility. • Investing funds for the benefit of the community. • Providing opportunities for small scale business entrepreneurs to interact with professionals in their respective fields through seminars and workshops. • Ensuring compliance with all legal and regulatory requirements relevant to the banking business.	• Conducted programmes for small scale entrepreneurs. • Contributed towards events organised for the development of the country. • Educated people regarding maximising productivity.

Stakeholder group and objectives	Important matters featured during engagement	Means of address/frequency of response
Suppliers	• Supplies and procurement opportunities offered by the Bank. • Process of engagement and registration on preferred supplier database. • Encouraging suppliers to comply with national regulations. • Encouraging suppliers to maintain the quality of products.	• Supplier-relationship management. • On-site visits and meetings.
Regulators	• Regulations imposed by the Central Bank of Sri Lanka. • Regulations imposed by the Ministry of Finance and Planning, including taxes. • Complying with the Accounting Standards issued by The Institute of Chartered Accountants of Sri Lanka. • Complying with the Code of Best Practices for Corporate Governance issued by various regulators. • Implementation of advanced approach of Basel II. • Complying with regulations issued by the Colombo Stock Exchange.	• Stakeholder meetings. • Directives. • Filing of returns. • Consultations.

SOCIAL PERFORMANCE

As a beacon of progress and growth Bank of Ceylon recognises that it seeks to provide world class banking services to the Nation and to the communities within which it operates.

Thus, whilst we report on such areas of impact, we also review the nature, scope and impact of the measures we've taken to address areas of need within the social context.

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Fulfilling the Bank's Responsibility Towards Society

Reaching the Unreachable

Historically, the BOC has been one financial institution that has consistently provided its services to people in the most remote areas of the country. This role took on a new complexion in 2009.

Expanding outreach to provide access to financial services for inmates of IDP Camps

The need to expand the outreach capacity of the Bank came to the fore when transit camps were set up in Wanni to house IDPs.

The BOC set up 5 Mini Banks overnight, housed in converted containers to facilitate banking requirements of IDPs at Anandakumaraswamy, Arunachalam, Ramanathan, Kathiragamar and the Zone-5 welfare camps.

This was an innovative way of providing quick access to urgently required banking facilities in a far lesser time than it would have taken to establish the infrastructure of a conventional branch.

These mini-banks offered normal banking services, facilitated safe keeping of valuables and handled the channelling of foreign remittances to the inmates with added support from the newly formed BOC Help Desk, thus making them virtual one-stop windows.

Services Provided through Banking Outlets in IDP Camps during the Year

The table appearing below highlights the success the Bank has encountered and the urgency of the need it has met and fulfilled.

Cash Deposit and/or Disbursement Services Provided	No. of Accounts Opened	Cash Deposit/ Disbursement Rs. million
Savings/Time Deposits	36,954	828.8
Pawning Articles	7,259	135.2

In addition to the aforementioned mini banks, we have also offered 26 mobile banking services in these areas in order to cater to the needs peculiar to this community such as the securing of their valuables and meeting urgent banking requirements.

The BOC made substantial contributions towards providing relief measures in support of the Government's 'Uthuru Wasanthaya' Programme.

Under the Government's Resettlement Programme, the Bank has undertaken distribution of funds via an UNHCR Grant for resettlement of IDP families throughout the Northern Province.

In addition to the funds distributed by the Non-Governmental Organisations (NGOs) in collaboration with the Government's administrative mechanism, the BOC also distributed funds to remote areas through our mobile banking services.

The Bank also assisted the International Community of Red Cross Societies (ICRCS) in disbursing housing grants to people in the Jaffna District.

Further Expansion of Financial Services in the North and the East

During the year, the Bank reached out to the periphery in both provinces. New offices were set up in - Delft Island - south - west of Jaffna, Velvetithurai, the Jaffna Bus Stand, Kokuvil, Jaffna Main Street, Kodikamam, Kaithady in Jaffna, Talaimannar Pier in the Mannar District, Silawathurai - a fishing village south of Mannar (Mobile Bank), Nanattan - midway between Mannar Island and Murunkan - close to the famed rice bowl, Vakarai - a fishing village North of Batticaloa, Kalladi, Serunuwara and Thoppur - in the interior farming area South of Muttur town, Karadiyanaru, Kokkadicholai and Vellavely in the fertile farming belt, west of Batticaloa lagoon, Nilaveli, China Bay, Puwarasakulam and Puthukulam in Vavuniya District and Addalaichenai in Ampara.

Significantly, no other banks operating in Sri Lanka has reached these off-the-beaten-track pockets. The response of the residents in these remote and outlying locations has been inspiring. Accelerating business volumes at these newly established outlets clearly indicate that the Bank's outreach expansion is valid and engendering impressive progress.

Thus, while resettlement and infrastructure development has been undertaken by the Government, financial assistance and livelihood development has been handled by the Bank of Ceylon. BOC has been and is in the forefront of the development drive in the Northern and the Eastern Provinces.

Striving to Develop the Community

Social Mobilisation and Poverty Alleviation

What made people shy away from Bank branches was the distance they had to travel and resulting transportation issues, high among which, was the cost factor. This was the crux of the issue. For the poor in remote, inaccessible villages, the Bank was too far away, out of reach- perhaps a distant dream.

The Bank set itself on a challenging social mobilisation exercise unmatched thus far, by any other bank in the country.

The Power of Our Solidarity Group Scheme

The Bank's officers reached out to people at their very doorsteps and started mobilising them into small Solidarity groups of 5-8 members. Each branch would aim to set up 250 such groups among the low-income population in their feeder area. To do this, they would select 10 generally poor hamlets and organise 25 groups in each. This may seem challenging. Yet, our achievements dispel this belief.

The Bank has helped to form 37 solidarity groups in a fishing village called Kavatikudah near China Bay in the Eastern Province where all three major ethnic groups (Sinhala, Tamil and Moor) are present in almost equal proportions. The Bank's solidarity groups at Kavatikudah are diverse in character, where some groups are represented by all three communities. This is indeed a welcome change from the distrust created through 30 years of civil conflict and war.

The Bank has successfully facilitated group formation among diverse social segments represented by day fishermen at Point Pedro, farmer families in Sarasalai, women-headed families in Thiraimadu (which is a fishing community close to Batticaloa), dairy farmers in Sammanthurai and Chenkalady, vegetable cultivators around Atchuvely in the Jaffna Peninsula, Kaluwanchikudy in Batticaloa and amongst the fisher-folk of Marnkerny, north of Valachchenai.

These solidarity groups function with an elected leadership, generating pre-determined weekly savings that go into a group savings account. They hold pre-arranged weekly meetings, and co-ordinate social activities whilst promoting group consciousness where all members think and act as a group and not as individuals. Once savings have accumulated over thirteen consecutive weeks or three months, micro-credit under a low-interest credit line is offered for livelihood development.

Group formation spreads over a period of time. It goes through four stages of transformation - Forming, Storming, Norming and Performing. At the initial stage of forming, there would be a lot of talk, cross-talk and even fun for a while. Differences would surface which would thin out during later stages. The groups pass through the ensuing stages and finally evolve as a close-knit solidarity group. The Bank's representative works with the group during the whole process.

These solidarity groups were not designed to continue indefinitely. We mean for them to evolve. When these groups display maturity, optimum social mobilisation, self-help among the members and the expected level of commitment, a cluster of 10-15 groups would be linked together as a village level society. The society would then be registered with the Registrar of Companies, giving it a separate legal identity. Over time, the society would borrow bulk loans from the Bank which resource they would lend in turn, to their membership. The society would be a sustainable entity- virtually a mini village bank linked with BOC. The end result would provide villagers with their own 'bank in the village'.

Now, after almost one year, several branches have passed the 250 strong group threshold, some even progressing to 300. Enthusiasm in the periphery has been impressive. The war-affected North and East have shown significant progress establishing close to 6,000 groups involving 31,500 group members. These groups bring in around Rs. 6 million monthly as group savings in addition to individual savings of Rs. 17 million each month.

Supporting Self-Employment in the North and the East

Dairy Sector Development

Dairy farming is an identified economic activity within national development plans for the North and the East.

The Bank focused on an Agro-Livestock Development Loan Programme initiated by the Central Bank of Sri Lanka to assist in the rehabilitation of the dairy sector. This programme facilitates the setting up and expansion of small dairy units through funding of up to Rs. 400,000. Funding is available for a diverse array of activities including purchase of livestock and setting up infrastructure such as cow-sheds, pasture maintenance, bio-gas units and milking machines. The Bank has formed more than 300 small dairy farmer groups across both provinces. These units would be managed as scientific dairy units with best livestock practices weaning away farmers from free grasing resulting in higher milk yields.

The availability of extension services is an integral component of viable dairy farming. This involves on-site veterinary services, planned artificial insemination, farmer education and better feeding methodologies. Here, the Bank focused on a credit plus approach, enlisting the services of veterinary surgeons and livestock development instructors. Incentives were offered for them to conduct dairy farming workshops for participatory farmer groups. They also assisted in successful live births under artificial insemination and mobilisation of dairy farmer groups. 25 awareness programmes were held for the benefit of around 800 prospective dairy farmers. In addition the Bank had interactive sessions for veterinary surgeons and livestock development instructors in the two provinces, creating an effective relationship between them and the farmers.

Crop Production

Favourable post-conflict conditions resulted in the expansion of farming lands. The total extent of cultivated land in the North and the East expanded with the fallow fields being cultivated.

As a direct result, the volume of short term crop production credit for paddy and 33 other crops which included cereals, root-crops, pulses, vegetables and other crops such as ginger and sugar cane increased by 87% over the previous year, reaching Rs. 292 million.

Small Enterprise Development

Two specially designed credit schemes for the North and the East with refinance funds from Central Bank of Sri Lanka were introduced during the latter part of the year. Credit up to Rs. 250,000/- on low-interest and flexible terms was made available for people of the region to embark on a range of economic activities across a wide spectrum such as cultivation of food crops and perennial crops, dried fish production, day boat fishing , handicrafts, establishment of retail outlets, poultry farming, goat rearing and dairy businesses. Refinance of Rs. 465 million was claimed from the Central Bank for 3,745 projects.

Creating Market Linkages

The Bank facilitated credit for producers as well as processors by popularising Forward Sales Contracts (FSCs). This instrument ensures both a fair price and quality produce, adding value at both ends. At the moment, Paddy and Maize cultivation is covered by FSCs.

Dairy farmers were encouraged to form dairy farmer groups with the aim of transforming them into Milk Co-operatives overtime.

The Bank is processing an investment proposal to set up a 10,000 litre capacity liquid milk processing plant at Chenkalady in Batticaloa District which is to be linked with approximately 1,000 small scale dairy units. The project has already commenced construction of buildings and is expected to commence production towards end of the year 2010.

The Bank has established contacts with several conglomerates with committed involvement in the dairy sector, with a view to setting up similar ventures in the North-East with a supply chain that would be developed with BOC's financial assistance and logistical support.

Nucleus Farm Models

The possibility of obtaining state land to establish Nucleus Farms was explored. The Divisional Secretaries of both Jaffna and Batticaloa have responded positively. Initial discussions were held with a number of private sector players to enlist their participation. The Bank has initiated a relationship with Israeli agri-experts to work alongside Sri Lankan investors in the dairy sector as well as at the nucleus farms.

SME Sector

Reviving the once dominant SME sector in the North and the East received the Bank's close attention. The Bank had extended credit to footwear manufacturers in Vathiry and Nelliady to ease their working capital crunch and assist them to face the threat from an eventual inflow of products from Colombo which could flood the market with the easing of transport restrictions. A special credit scheme is being formulated in collaboration with The National Chamber of Commerce.

The Bank has identified several sectors as potential SME enterprises. These include, light engineering projects, furniture manufacturing, fish processing (dried fish), manufacture of palmyrah products, processing of grape nectar, manufacture of jams and cordials, liquid milk processing, rice milling, cage culture fishing, handloom and powerloom textiles and cottage industries.

Interaction with Business Leaders

Two separate seminars were held at Jaffna and Batticaloa for business leaders and opinion makers in the areas of Nallur and Batticaloa respectively. At these seminars, the Bank presented its development plan and strategies, which was followed by lively discussion sessions. Similar workshops were also held with Government institutions that provide support/advisory/control services to economic activities.

The table below details the credit facilities extended to the people of the Northern Province.

Northern Province - Category of Advances	Loans approved during the period 01.01.09 to 31.12.09	
	No. of loans	Amount in Rs. millions
New comprehensive rural credit scheme	5,654	323.7
Agro livestock development loans	99	9.7
Poverty alleviation micro project		
- Agriculture	157	6.7
- Animal husbandry	56	2.5
- Fisheries and related activity	157	7.3
- Industry	5	0.1
- Other	26	1.1
Pibidena Uthura		
- Agriculture	698	71.4
- Livestock development	454	44.3
- Fisheries	137	14.9
- SMEs	91	6.6
- Trade and other self-employment	429	67.2
- Other	60	7.8
Self-Employment Development (SED)	2,536	163.5
Housing	158	61.1
Other	2,189	408.9
Total	12,906	1,196.8

The table below details the credit facilities extended to the people of the Eastern Province.

Eastern Province - Category of Advances	Loans approved during the period 01.01.09 to 31.12.09	
	No. of loans	Amount in Rs. millions
New comprehensive rural credit scheme	1,908	133.1
Agro livestock development loans	77	12.7
Poverty alleviation micro project		
- Agriculture	1,586	65.7
- Animal husbandry	783	66.3
- Fisheries and related activity	399	19.0
- Industry	377	31.9
- Other	1,132	66.7
Eastern Development		
- Agriculture	161	18.0
- Livestock development	23	2.1
- Fisheries	11	6.3
- SMEs	10	1.0
- Trade and other self-employment	170	23.4
- Other	63	5.4
Self-Employment Development (SED)	104	15.8
Housing	71	623.0
Other	1,470	213.7
Sub Total	8,345	1,304.1

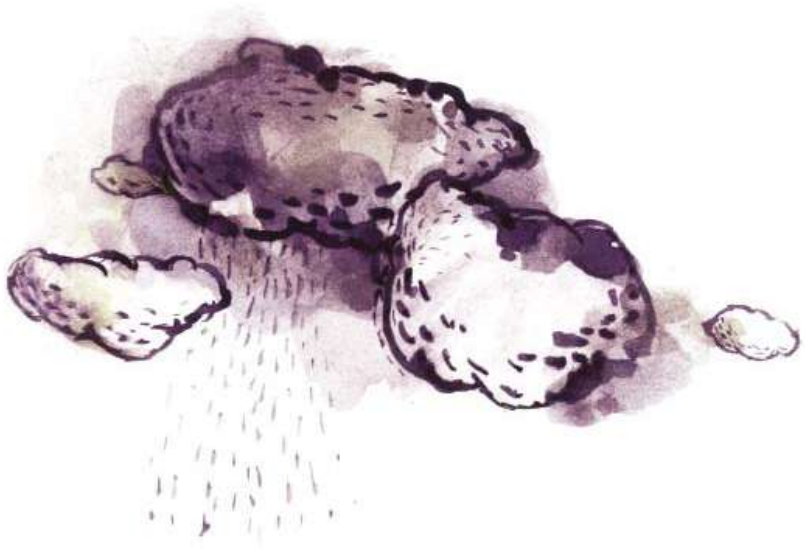
Future Plans for North and East

With the ongoing resettlement of displaced persons in the Vanni, the Bank's branch network there will be expanded significantly. Under this initiative, it is planned to locate several new mini-banks in Paranthan and Thunukkai among other locations, which would become major settler locations. A mini bank in Mallawi was already opened.

In addition to available development lending schemes, the Bank would focus on long line fishing in the Vanni coastal areas (Mannar, Mullaitivu and Kokilai) with an interest subsidy window negotiated with the Central Bank of Sri Lanka up to Rs. 1 billion for a period of one year. The focus would be on supporting tuna fishing which would ultimately support the creation of a national branded tuna product.

We intend to open 12 extension offices and install 14 ATMs in the Northern and the Eastern Provinces in 2010.

We are also making arrangements to re-establish our Mankulam and Mullaitivu Branches in their original locations and have already re-established the Kilinochchi branch.



Effectiveness of Micro Finance Programmes in the other Provinces of the Country

Although the BOC has paid special attention to the North and East development during the period under review, its efforts are not limited to these two areas.

The following are the details of micro finance extended in other provinces of the country for the development of livelihood of less privileged people.

Province	No. of loans disbursed during 2009	Loan value in Rs. million
Central Province	2,606	156.0
North-Central Province	16,880	914.7
North-Western Province	2,511	192.1
Sabaragamuwa Province	530	40.3
Southern Province	4,105	2,587.5
Uva Province	3,462	192.7
Western Province - North	367	22.6
Western Province - South	884	147.2

In evaluating the stewardship of the Bank vis-à-vis its social performance, we wish to report on measures in place and achievements realised in the following key aspects.

Corruption

The BOC espouses zero tolerance standards in respect of corruption. Several measures are in place to pre-empt and/or mitigate any incidence of corruption within the Bank's sphere of activity.

Approval of Credit

Self-controlled instruments in operation are the Bank's credit policy manual with approving authority delegated to authorised persons only.

Independent evaluation of applications for credit is carried out by the Chief Risk Officer prior to granting approval.

The credit granting process has a comprehensive division of responsibilities and has limits on authority in place so that single hand dependence is eliminated. Applications for large sums of credit are approved by a Credit Committee and the Board of Directors.

Procurement and Supplies

All processes within this subject are governed and controlled by the Bank's Supplies and Procurement Manual, which is based on the state sector tender procedure.

Maximum transparency of the total process is the main objective.

Contingent upon a hierarchical assessment of importance, these processes could pass before the Tender Evaluation Committee and Tender Board to ensure transparency.

Human Resources

All the Bank's HR activities are governed by our Recruitment and Promotion Policy/Code of Conduct of Employees and Disciplinary Code amongst other regulatory instruments in this field.

The Bank is also increasingly deploying technology to assist in maintaining a corruption free regime. Examples of such technology deployment are to be found in areas such as time attendance/leave records/integrated human resources management system, which covers all staff emoluments, among other areas.

Important policy decisions concerning personnel practices are taken by a specially constituted committee in a collective manner.

Work Process and Procedures

All work processes are governed and administered by internal office instruction circulars and system operations manuals.

The regular reporting procedure in place effectively detects material variances or inconsistencies.

There is a centralised online monitoring mechanism also in place.

Internal audits augment the vigilance of supervisory processes.

Expenses incurred in areas such as marketing and advertising are vetted and approved by a committee.

Asset disposals including used scrap are effected strictly in accordance with a laid down procedure and decisions on such processes are taken collectively.

During the year 2009, the Bank has analysed 233 branches and 63 credit units with a view to ensuring compliance with business procedures including risk related to corruption

Training Imparted on Anti-Corruption Issues/Procedures

During the year 2009, the Bank has conducted several training programmes covering the areas of Anti Money Laundering and Know Your Customer. In order to improve the awareness level of the staff members of the Bank on Anti-Money Laundering and Combating Terrorist Financing (AML/CTF), Compliance Unit has conducted 21 training programmes on Anti-Money Laundering/Combating Terrorist Financing for staff members of 270 branches in seven provinces including head office.

Participating in Public Policy Development

The Bank is invited to submit proposals and participate in discussions when formulating the Government budget proposals.

Zero Litigation on Anti-Competitive/ Anti-Trust Issues

The Bank has not encountered legal action for anti competitive behaviour during the year 2009.

Fines/Sanctions for Non Compliance with Laws and Regulations

There were no incidents of non compliance during the year.

ECONOMIC PERFORMANCE

The Bank's operations impact the economic conditions of a wide stakeholder spectrum.

In and through its operations as one of Sri Lanka's premier financial institutions, BOC seeks to be a profitable catalyst of equitable development across the rural as well as urban spectrums.

Let us examine our performance in key areas.

Economic Value Generated and Distributed

Economic Value Addition

The table below exhibits the Economic Value Addition (EVA), that is a measurement of the additional return generated by the Bank for the capital employed. This gives as a percentage of post tax profits adjusted for depreciation arising from revaluation of properties, as against the average equity invested in our operations.

The benefits that have been given to the economy by reducing the lending rates in the latter part of 2009 have also been taken into account in calculating the EVA for 2009.

	2009 Rs. million	%	2008 Rs. million	%
Average Invested Capital				
Average shareholders' fund	24,001		22,076	
Revaluation reserves	(125)		(127)	
Bonus shares issued in 2006	(1,400)		(1,400)	
	22,476	100.0	20,549	100.0
Return on Invested Capital				
Profit after taxation as reported	3,084		3,561	
Depreciation attributable to the revaluation surplus	18		21	
Impact on reduction of lending rates	1,303		–	
Subsidisation on developmental lending	–		1,872	
	4,405	19.6	5,454	26.5
Opportunity cost of invested Capital*	3,023	13.5	3,810	18.5
Economic Value Added	1,382	6.1	1,644	8.0
* Weighted average 12 months Treasury bill rate	13.45%		18.54%	

A lot to straighten out... a 30 year war has ended... it has left a 'minefield' of bent and twisted lives and opportunities. Yes... war is terrible... and it does wreak such havoc. But is this the only 'minefield' in Sri Lanka today? What of the 'bent lives and opportunities' that have been wrought by the way we live and do business? There is much to straighten out in the future...

What does matter?

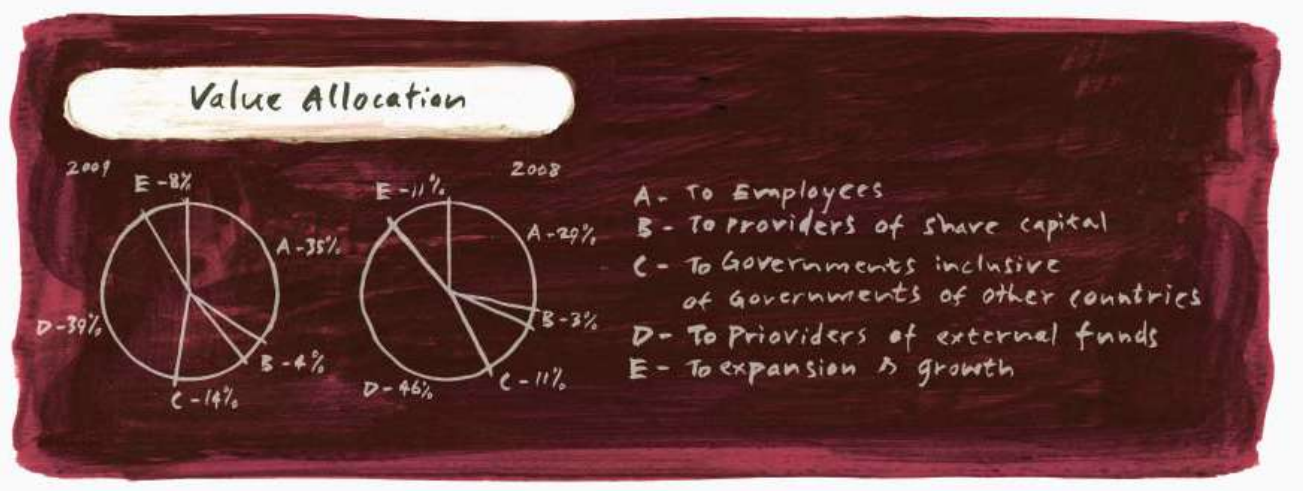
A lot to straighten out... a 30 year war has ended... it has left a 'minefield' of bent and twisted lives and opportunities. Yes... war is terrible... and it does wreak such havoc. But is this the only 'minefield' in Sri Lanka today? What of the 'bent lives and opportunities' that have been wrought by the way we live and do business? There is much to straighten out in the future...

Economic Value Addition (EVA) for the year 2009 was Rs. 1.4 billion, a 16% reduction in compared to 2008. The reasons for reduction in EVA have been discussed in the Management Discussion and Analysis report given on pages 24 to 46 in this Annual Report.

Value Addition and its Allocation

The following table illustrates how the value generated during the period was allocated among the key stakeholders of the Bank.

	2009		2008	
	Rs. million	%	Rs. million	%
Value Added				
Income earned by providing banking services	61,152		59,200	
Cost of services	(31,207)		(25,491)	
Value added by banking services	29,945		33,709	
Non-banking income	2,309		982	
Provision for bad debts	(1,802)		(2,374)	
Value addition	30,452		32,317	
Value Allocation				
To employees				
Salaries, wages & other benefits	10,516	34.53	9,274	28.69
To provider of share capital				
Dividends paid to Government of Sri Lanka	1,346	4.42	846	2.62
To Governments				
Income tax	1,221	–	1,539	–
Value added tax	2,995	–	2,073	–
	4,216	13.84	3,612	11.18
To providers of external funds				
Interest on refinance & borrowings	8,747	–	12,642	–
Interest on debentures	3,113	–	2,343	–
	11,860	38.95	14,985	46.37
To expansion & growth				
Retained profit	1,738	–	2,715	–
Depreciation	873	–	755	–
Deferred taxation	(97)	–	130	–
	2,514	8.26	3,600	11.14
	30,452	100.00	32,317	100.00



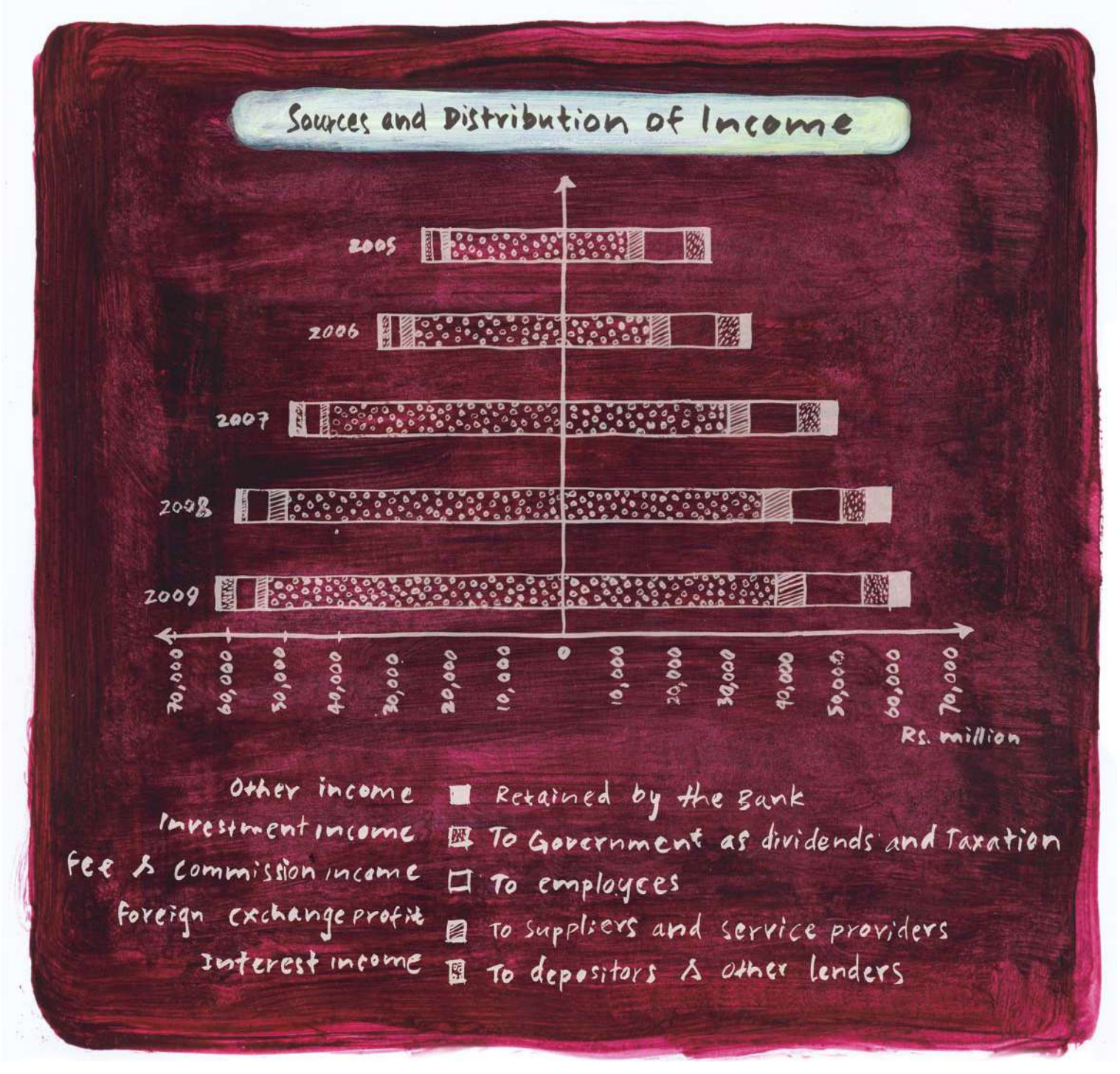
The above statement shows that, the value addition during the year 2009 declined by Rs. 1.9 billion, a decrease of 6% compared to 2008. The reasons for the reduction in value addition have been discussed in the Management Discussion and Analysis Report given on pages 24 to 46 in this Annual Report.

In comparison to 2008, the employees and the Government continue to absorb substantial amount of value addition. This is mainly due to the revision of employees emoluments in 2009 and high pay out of dividends, that has increased almost 60% compared to the previous year.

Sources and Distribution of Income

The table given below analyses the source of income of the Bank for the year 2009 and how it was distributed among the stakeholders of the Bank.

For the year ended 31 December	2009 Rs. million	2008 Rs. million	2007 Rs. million	2006 Rs. million	2005 Rs. million
Sources of Income					
Interest income	53,076	49,684	42,286	26,823	20,595
Foreign exchange profit	1,567	2,886	1,179	2,261	1,015
Fee & commission income	4,218	4,084	3,099	2,196	1,931
Investment income	2,309	981	1,624	1,370	1,586
Other income	789	946	687	755	422
	61,959	58,581	48,875	33,405	25,549
Distribution of Income					
To Depositors & other lenders	38,267	35,989	29,453	15,743	11,231
To Suppliers and service providers	4,798	4,487	3,578	2,881	2,663
To Employees	10,516	9,273	8,769	8,599	7,157
To Governments					
- As dividends	1,346	846	846	1,173	1,150
- As taxation (Including income tax, VAT on financial services)	4,216	3,612	3,370	2,810	1,825
Retained by the Bank					
- Reserves	1,738	2,715	1,997	1,454	745
- Depreciation/amortisation	873	754	760	694	580
- Provision for loan loss (Net)	302	775	(75)	(416)	(117)
- Deferred tax	(97)	130	177	467	315
	61,959	58,581	48,875	33,405	25,549


Sources and Distribution of Income
2005
2006
2007
2008
2009
70,000
60,000
50,000
40,000
30,000
20,000
10,000
0
10,000
20,000
30,000
40,000
50,000
60,000
70,000
Rs. million
Other income
Investment income
Fee & commission income
Foreign exchange profit
Interest income
Retained by the Bank
To Government as dividends and Taxation
To employees
To suppliers and service providers
To depositors & other lenders

Challenges from Climate

There were instances, during the year under review, when operations within our branch network were temporarily interrupted as a consequence of natural causes, such as flooding and lightning activity.

Some instances of replacement of equipment including computers were recorded. 13 incidents of this nature were reported during the year 2009. The approximate cost of replacement of equipment was Rs. 3.37 million.

There is a direct relationship between favourable/ unfavourable climate conditions and recovery of lending made to agriculture, fisheries and plantation sectors.

The Bank is compelled to make additional provisions in such situations based on the customer default, which is beyond its control.

Benefit Plans

The Bank offers a substantial portfolio of well-defined Benefit Plans and other measures to its employees.

These are discussed in detail on page 98 of this Review under the section Labour Practices and Decent Work.

Employee Benefit Plans in 2009

	Rs. million
Bank's contribution to Pension Fund	1,687.18
Bank's contribution to W&OP Fund	0.50
Bank's contribution to EPF	453.67
Bank's contribution to ETF	113.41
Gratuity	29.20
Staff welfare	56.00
Medical assistance scheme	324.00

Financial Assistance from the Government

The BOC did not receive such assistance from the Government during the year 2009.

BOC's Entry Level Wage Structure

The chart below indicates the Bank's entry level remuneration paid across a cross section of job positions.

Standard entry level - BOC	Wage – BOC Rs.
Management Trainee	25,000
Trainee Staff Assistant	12,000
Trainee Secretarial Assistant	10,000

Policy and Practices Concerning Suppliers

The Bank's policy and practices relating to its suppliers are governed by a comprehensive Manual of Procurement & Supplies Procedure, which is approved by the Board of Directors.

At the outset of the annual budget, a special approval of the Board is obtained for expenditure covering total annual requirements of the Bank whether capital or otherwise. Prior to making purchases, each requirement is evaluated at the Tender Evaluation Committee (TEC) level and then approval of the Tender Board (TB) is obtained. TEC and TB consist of Senior Executives of the Bank and independent experts from the public sector, for adhering to the principles of good corporate governance.

Extent of Local Recruitment

Corporate Senior Management Recruitment in 2009

The following corporate management/senior management positions have been filled, during the year, from the local community at locations of significant operations, with a view to obtaining expertise in respective areas.

Corporate Management

The positions of Head of Information Technology, Chief Internal Auditor, Chief Risk Officer, Chief Financial Officer and Head of Research were all filled through local recruitment.

The proportion of corporate management personnel hired as a percentage of total corporate management members was 31.25%.

The senior management positions filled during 2009 were that of Chief Manager (Procurement) and Chief Manager (Technical Services).

Proportion of Senior Management Hired - Negligible.

During the course of the year, arrangements were made to recruit a Head of Marketing and HR Specialist, both positions to be effective from the year 2010.

Recruitments in North-East during the Year

Grade	No. of Employees
Clerical Grades	200
Management Trainees	50
Development Assistants	50
Attorney-at Law	02
Civil & Electrical Engineers	Being Processed

Indirect Economic Impacts

Loans granted during the year for Infrastructure Development - 2009

Sector	Direct advances Rs. million	Guarantee facilities Rs. million
Road development/construction	581	2,269
Communication infrastructure development	2,000	130
Diesel power generation	269	31
Human life & environment protection (Electric fence)	100	–
Water supply	–	428

The Bank ventured beyond its core business to fund many national initiatives in support of the Government's drive towards developing Sri Lanka.

First Step of 'Ranaviru Gammana' Programme

The Government's "Mahinda Chinthana" programme proposed that 50,000 houses be constructed for the war heroes of the three armed services across the length and breadth of the country.

For the first phase of this Project, crown land 180 acres in extent and situated in the Divisional Secretary's Division of Ipalogama, Anuradhapura, has been identified as a target location.

The plan is to construct nearly 1,630 houses; each with an area of 800 square feet located within a plot of land 10 perches in extent.

All other amenities required for this proposed Housing Complex have to be developed within this developing town. Accordingly, supplies of electricity and water, construction of roads, instituting garbage and water disposal systems as well as establishing schools, shops, stadiums, community centres, libraries, health centres, banks and other social requirements will be undertaken within these new townships.

The Bank has loaned a sum of Rs. 1,847 million in this non-commercial project in support of activities such as town planning, housing & construction, developing road networks, facilitating supply of water and electricity among other areas of endeavour.

The housing scheme was provided for residents in 2009.

Significant Indirect Economic Impacts

Being a state-owned corporate citizen; we create and deliver significant indirect economic value to society through our business promotion activities as well as through the social responsibility regime.

Although, the expenditure described in the table below is not strictly placed within a Corporate Social Responsibility (CSR) context, a substantial element of this expenditure has gone into areas that concern CSR.

Community Investments

Area	Value of contribution 2008 Rs. '000	Value of contribution 2009 Rs. '000	No. of activities 2008	No. of activities 2009
Health	500	3,253	01	03
Education	8,376	17,394	267	181
Culture	17,309	24,812	61	64
Infrastructure	908	1,877	05	02
Community/child development	6,893	8,990	47	45
Sports	11,189	8,569	29	17

Some of the details of the activities covered by above expenditure are as follows:

Event Sponsorship

The Bank participated actively at 'Deyata Kirula' - the National Development Exhibition, show-casing our involvement in the nation's economic social and cultural upliftment as a responsible corporate citizen.

Large crowds thronged the aesthetically designed BOC stall that depicted our products and services to Industry and Commerce. Through interactive media and technological interface, visitors were able to gain comprehensive insight into the value of savings instruments and of the many tailor-made solutions offered by the Bank, to enterprising business ventures.

In recognition of our contribution as a bastion of the national economy and our incomparable proximity to the consumer, the Bank garnered many accolades from the visiting public, polling the highest preference, thus winning the award for the best stall.

Lending a hand... to our Youth

Under the banner of *Rankekulu Ginum* - by far the most superior product offering in its class - we provided a platform to feature young talent and high achievers in academic prowess, art and entrepreneurship under TV Talk Show. This popular TV show was enriched by the participation of erudite personalities and social icons as role models, providing inspiration to the participants and viewers alike.

Our sponsorship of pre-examination seminars and learning programmes in preparing our children for the island-wide competitive grade five scholarship exam conducted by *Hapana*, reinforces our commitment to our youngsters.

Additionally, 1,250 Scholarships were awarded to *Rankekulu Ginum* account holders who excelled at national and regional levels, at the grade five scholarship examination, thereby delivering on our product promise of sustainable benefits.

Eighty-eight Scholarships, each of Rs. 30,000/-, were awarded to students who gained admission to the universities from among the 18+ account holders.

On World Children's Day, the Bank sponsored the celebrations held at the Guruge Nature Park and focused on inculcating the value of savings in the children and their parents.

Our Support for Sport

In our bid to nurture young talent, under the auspices of the Bank's *Rankekulu* product, an Island-wide Cricket Tournament for Under 13 was held, which attracted 421 school teams and the participation of 6,315 students, who came together to compete with zest.

Sponsorship support was also extended for the Under 19 Triangular Cricket Series featuring Pakistan, Bangladesh and Sri Lanka.

Arts and Culture

The ancient glory of Kandy's Dalada Perahera with its panoramic sweep of cultural and religious events, as well as the Esala Festivities in Kataragama and the Poson Commemoration ceremonies at Tissa Raja Maha Viharaya, are regarded by the Bank as eminently worthy of our sponsorship and support, being as they are pivotal events in the life of Sri Lanka and its people.

We participated as a co-sponsor in the construction of the museum at the Seruwila Raja Maha Viharaya and illuminated the Viharaya on Nikini Poya.

In a bid to boost the local cinema industry and in recognition of the talents of our film stars, the Bank co-sponsored the National Cinema Awards festival.

We Have a Heart

The Bank offered assistance to restore the Kondawil Church in the Jaffna District which had been badly damaged during the conflict. Our assistance extended beyond mere restoration to include assistance towards the rehabilitation of the life of the Church's community too.

The Bank provided assistance to the Jaffna Teaching Hospital to effect improvements to its Coronary Care Unit.

We pro-actively provided emergency relief and assistance to Internally Displaced Countrymen under the aegis of the Sri Lanka Air Force.

The Bank participated in a programme of *Punarjeeva Fund*, which provides assistance to those afflicted with Heart disease who cannot afford the cost of surgery.

ENVIRONMENTAL PERFORMANCE

The Bank is fully aware of how important the environmental dimension is in the context of a truly sustainable enterprise.

Within this section we will present data and information on the Bank's performance in respect of key areas such as materials, energy, bio-diversity and an overall segment.

Materials

The chart below takes a comparative look at the Bank's consumption of material resources between the years 2008 and 2009:

Material	Consumption in volume 2008	Consumption in volume 2009	Consumption in value 2008 Rs. million	Consumption in value 2009 Rs. million
Electricity	13,386,973 kWh	14,178,800 kWh	254,514	285,394
Paper	–	–	152.387	165.121
Water	248,968 m^3	272,820 m^3	12,452	18,638
Fuel	757,558 Ltr	721,288 Ltr	64.299	60.990

Energy

The Bank took several initiatives during the year to make significant savings on energy usage. Some of these measures were the restriction on use of air-conditioning to the period 7.30 a.m. to 5.00 p.m. each day, the use of energy efficient, power saving, CFL and fluorescent bulbs at our head office and branches and rationalising the use of elevators matching full deployment at peak with reduced deployment at non-peak usage periods.

The initiatives taken by the Bank over the past years to introduce a paperless work environment in its offices appear to be bearing fruit.

A considerable reduction in volume has been achieved in respect of the consumption of computer papers, physical vouchers and paper instruments. This has transpired due to the gradual conversion of day-to-day banking operations to electronic paperless methods using features of the core-banking system as well as in-house developed programmes.

Example: *On average the Bank used 90,000 - 100,000 physical vouchers/instruments per day for fund transfers between branches. After converting to electronic processes this figure had come down to less than 2,000 per day, by the end of 2009.*

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If you took these visuals from your sub-conscience into reality it would scare you. But this is a depiction of an 'insidious invader'... it may not theoretically have 'dropped from the sky', but the age of consumerism fills our horizon and inveigles us into a way of life that we are beginning to question. The 'shopping cart' of the consumer age looks good when its floating in the 'sky of need'... but its easy to replace 'need' with 'greed'... and the problems begin!

What matters in life's choices?

The Bank made further progress along this path through achievements such as - paper-based validation/authorising and balancing procedure which was converted to a system/screen-based process, saving significant amount of paper usage and physical document-based communication among the branches and the head office being replaced by electronic mails.

Biodiversity

BOC started working with the Green Forest Association in 2009 and entered into a sponsorship agreement with them to select the **"Wasere Adarshawath Parisarika Pasala - 2010"**.

The Green Forest Association was established in the year 1999 with the objective of promoting environmental conservation. It is an association, which is run as a joint venture of Government and non-Governmental organisations.

Under the auspices of this project, the BOC provided an annual sponsorship of Rs. 2.0 million and thus set in motion the following activities:

Classrooms are being modelled according to the '5 S' system.

School gardens are being landscaped and beautified via home gardening and the growing of ornamental plants.

Schoolchildren are being made aware of solid waste management and are being encouraged to put these to practice in their schools.

Gardens containing medicinal plant varieties are being developed in schools.

Students are being encouraged to get increasingly involved in extra educational and extra curricular activities.

The chart below gives the Bank's total spend for 2009 and activities it supported in respect of environmental protection.

Loans granted by Bank under E-Friends II in 2009 at 6.5% rate of interest

No.	Nature of the project	Benefits to the society	Loan value Rs. '000
01.	Funding of an environment-friendly binding machine for the improvement of the printing industry	Proposed machine will eliminate emission of substances causing health and environmental problems	5,000
02.	Installation of pollution-free cleaning systems and parboiling systems for the rice mills	The project reduces environmental pollution which can be caused due to waste of rice mills	27,800
03.	Installation of waste water treatment system according to an aerobic filter technology and fly ash and particulate control system for rice mills	The project reduces environmental pollution which can be caused due to waste of rice mills	10,000
04.	Construction of emission control system with extraction hood, spray, dryer, centrifugal blower, water re-circulation tank and water pump for metal crusher industry. Construction of a building to cover metal crusher and construction of boundary wall with a height of 15 feet	The project completed under advice and guidance of Central Environmental Authority in order to minimise the generation and discharging of metal dust to the environment	8,000
05.	Installation of a high pressure steam generator with smoke elimination system and steam distribution system for rice mills	The project reduces environmental pollution which can be caused due to emission of dust to the environment	82,500
06.	Constructions of waste Water treatment unit	Project reduces water pollution	3,176
07.	Building of dust emission system for cement packing industry	The project helps to reduce environmental pollution	40,000

LABOUR PRACTICES AND DECENT WORK

Management Approach to Our HR Regime

The BOC has earned a reputation as an employer of choice in the financial realm in Sri Lanka. The Bank adheres to all applicable regulatory frameworks concerning Labour Practices and HR Functions prevailing in Sri Lanka.

Our approach to this subject is one of extreme care and rigorous attention to the many factors that serve to balance good Labour and HR practice with the needs and aspirations of employees and the productivity of the Bank. Our approach is governed by very high levels of professionalism, ethics and legal compliance.

The Bank firmly believes that its success depends on how well it manages the people who strive on its behalf. In that spirit, the Bank seeks to give all staff due recognition and reward to enable them to be the best team of achievers in service excellence.

In developing a comprehensive Labour and HR regime, we have gone the extra mile in formulating and enacting Vision, Mission and Value statements, whilst also spelling out specific objectives we wish to achieve as a corporate entity.

The Bank espouses dedicated Mission and Vision statements for its HR regime, which basically seeks to create a highly motivated, exceptionally productive and empowered workforce who is high contributors to our overall corporate excellence.

The Bank thus has a role to become a value adding partner meeting the aspirations of employees whilst proceeding together in achieving corporate objective.

Our value expectations encompass integrity, commitment, mutual respect, innovativeness, openness, empowerment and delegation.

The BOC has a well-structured Human Resource Business Module, which has been found to be very effective in delivering the desired results to the organisation, the employees and our stakeholders via a proficient and proactive workforce.

Total workforce by employment type, employment contract and region

The chart appearing below profiles our HR component by employment category:

Type of Employment

Type of employment	No. of employees
Full-time permanent	7,538
Part-time	None
Outsourced employees	1,198

In order to identify, attract and retain competent personnel in key areas where expertise is required, the Bank recruited external expertise to head such areas.

Details of local recruitment to Corporate Management and Senior Management appear on page 91 of this Review under the heading 'Extent of Local Recruitment'.

Employment by Region/Province

Year	H/O	Corp. Bkg.	CP	EP	NP	NCP	NWP	Sab. P	SP	UP	WP
2009	1,390	604	710	348	335	432	598	399	661	338	1,723
2008	1,417	652	757	363	344	425	642	433	707	362	1,810

Total Work Force by Employment Age Group

Employment category (Age-wise)	Total for 2008	Total for 2009
55 - 60 years	1,144	1,344
45 - 55 years	4,384	3,651
35 - 45 years	750	729
25 - 35 years	1,634	1,264
24 years & below	–	550
Total	**7,912**	**7,538**

Employment Category

Category (Position-wise)	No. of Employees
Corporate Management	16
Executive Management	49
Chief Manager	64
Senior Manager	148
Branch Managers and Other Officer grades	3,834
Banking/Management Trainees	211
Office Assistants and Allied Grades	3,216
Total	**7,538**

New Recruitment 2008 vs 2009

Grade	2008	2009
Management trainees	–	200
Trainee staff assistants	50	02
Handicapped personnel	–	06
Trainee legal officers	–	02
Trainee court and notarial assistants	–	06
Multiduty assistants	–	20
Trainee secretarial assistants	–	44
Assistant secretaries to the Board	01	–
Total	**51**	**280**

The Bank is making arrangements to recruit over 1,000 Staff Assistants to be effective in 2010 as we gear up for unfolding new opportunities.

Gender Profile of HR Base as at 31 December 2009

Category	Male	Female	Total
Corporate management	13	3	16
Executive management	35	14	49
Chief manager	42	22	64
Senior manager	114	34	148
Branch managers and other officer grades	2,224	1,610	3,834
Banking/management trainees	64	147	211
Office assistants and allied grades	1,684	1,532	3,216
Total	**4,176**	**3,362**	**7,538**

Employee Profile by Qualifications/Skill Base

Year	Total employees	University degrees or other academic/ professional qualifications other than AIB*	Post-graduates	AIB holders
2009	7,538	2,746	96	1,435
2008	7,912	2,617	98	1,478

Note: *Some overlapping may occur between categories.*
**Associates of Institute of Bankers*

No.	Country	No. of employees	SL	Other
1.	Sri Lanka	7,523	7,523	–
2.	United Kingdom	28	5	23
3.	Maldives	34	5	29
4.	India	31	5	26

Total number and rate of employee turnover by age group, gender and region

The BOC maintains exemplary ratios in terms of staff turnover.

No of Employees leaving employment during the year 2009:

Gender	Total	Percentage of total staff
Male	2	0.03%
Female	21	0.28%
Total	**23**	**0.31%**

Gender	No.	20-30 years	30-40 years	40-50 years
Male	02	x		
Female	17	x		
	03		x	
	01			x

Benefits provided to full-time employees that are not provided to temporary or part time employees by major operations

Benefits to full-time employees as provided by the Bank are comprehensive and reflect the full scale of benefits applicable to a state-owned bank.

Terminal Benefits

The BOC operates an Employees' Provident Fund and an Employees' Pension Fund for its employees.

The Bank has also complied with regulatory requirements governing the payment of gratuity during the year concerned. We regard our pensioners as brethren of the BOC family and continue to effect revision of their pensions in a regular manner.

A cost of living allowance payment is made in based upon the fluctuations of the economy.

Staff Loan Schemes

In addition to the standard salary/bonus, full-time employees enjoy benefits such as staff loan schemes at concessionary interest rates well-below market rates.

Welfare

Health Fitness and Sports Activities of Staff

The members of staff in all branches have formed sports/welfare clubs. The Bank grants financial assistance to all these clubs in proportion to membership. The aims of the promotion of sports activities are, inter alia, the maintenance of good health, fostering of healthy relationships among staff and enhancement of productivity.

Funds were provided to conduct Provincial Sports Festivals in the Provinces of Uva, North Central, North Western, Southern, Western Province - North and Western Province - South, during the year under review.

Gymnasiums Maintained

The Bank maintains well-equipped gymnasiums to promote physical fitness amongst employees at its Head Office. Arrangements have been made to provide gymnasiums for our Metropolitan, Pettah and Bambalapitiya Branches.

Holiday Resorts

The Bank also renovated and upgraded the service of its Resorts/Rests located in various parts of the country. Currently, we have 10 such facilities in operation and in 2009, 2,277 members of staff had availed themselves of these facilities with their families. Of this number, the Bank has additionally provided transport facilities for 564 families.

Catering Service

The Bank provides wholesome meals for staff at its Head Office and York Street Buildings at concessionary rates.

BOC Medical Assistance Scheme

The Bank maintains a medical assistance scheme for its employees. It provides reimbursement/ payment of bills in regard to medical expenses incurred routinely and under special category for surgical treatment including heart/kidney/liver/brain and lung surgeries.

Awards in Recognition of Bank Service

The Bank offers awards for employees who have successfully completed 25 years of service, in recognition of their exemplary and unblemished service. The Bank presented five hundred and eighty three awards at its 20th Long Service Award ceremony held in 2009.

Percentage of Employees Covered by Collective Bargaining Agreements

98.4% of the total workforce was covered by the Collective Agreement signed during the year.

Embodying Minimum Notice of Operational Change in Collective Agreements

Such notice of change is not specified in the Bank's collective agreements.

Any change proposed to organisational structure, work processes, or policy are extensively discussed at corporate management level and if required with the affected parties after which they are approved by the relevant authorities.

Prior to implementation of such changes, awareness is created amongst staff concerned, by way of departmental meetings, workshops and internal circulars, the methods of awareness being selected dependant upon the nature and extent of change envisaged.

Occupational Health and Safety

We have a comprehensive health and safety regime prevailing within all areas and branches of the Bank.

Formal Health and Safety Committees

These Committees help to monitor and advise the Management on occupational safety programmes. The Committees feature a joint management/labour representation in terms of constituents.

The Bank has appointed a special Deputy Chief Security Officer to overlook matters pertaining to fire hazard.

At our Head Office building, two Wardens have been appointed for each floor to guard against and deal with any incidence of fire, operating under the guidance of Security Personnel. The Wardens have been instructed to organise and convene periodic meetings of employees and impart guidance and instruction on the subject.

During the course of the year, our personnel were trained in fighting practice under the auspices of the Fire Brigade of the Municipal Council of Colombo.

Evacuation drills were also carried out.

In pre-emptive mode, thorough searches of the New Head Office Building were carried out at regular intervals by the Police and Army.

Special First Aid Fire Appliances, System and Water Sprinkler Systems with smoke and heat detectors have been installed in all the high-rise buildings of the BOC such as Head Office Building, Merchant Tower, Nugegoda, York Street, Kandy and City Office together with alarm systems linked to them.

Safety Record

The Bank has a zero fatality record for the year 2009.

Health Awareness Programmes

Awareness programmes were conducted with the participation of Specialists and Medical Practitioners to make the workforce aware of all aspects of serious diseases such as Dengue and H1N1, among others.

Training and Education

Being a specialised financial institution requiring a highly-skilled and professional workforce, who require room to grow and develop in their careers, the BOC had a full-training portfolio in operation during the year. Here are some of the salient details:

Training Hours

Employee category	No. of training hours (X)	No. of employees (Y)	Average hours of training per year per employee (X/Y)
Corporate Management	328	17	19
Senior Management	6,525	261	25
Executive Officers	79,534	3,059	26
Executive Assistants	51,727	2,249	23
Banking Trainees	18,200	700	26

Year	Training expenses Rs. million	No. of programmes		
		In-house training	Overseas training	Local training
2009	152	361	117	317
2008	65	283	94	213
2007	63	180	111	168

Programmes for skills management and life long learning that support the continued employability of employees and assist them in managing career endings

A selected number of 12 employees from the HR Division are undergoing training on HR Management with the objective of developing them as future HR Leaders.

Building-up of a High Potential Culture

All promotions, gradings, confirmations, extension of service, overseas training and annual increments are based on the Bank's Performance and Potential Appraisal (PPA) System. The appraisal of an employee is based on three factors - achievement of goals, behaviour and knowledge.

Energising Others to Perform

The BOC has a tradition of felicitation that recognises the singular success and achievements of staff. Such information is disseminated via the Bank's communication system at the Head Office. Such recognition also finds its way into the columns of the Cey-bank News, a quarterly journal for staff.

This journal also provides a forum for staff to present their own ideas and relevant content for the edification of all readers across all grades of the Bank.

Achievements in Sports/Cultural Activities

The year 2009 is a significant milestone in the annals of the Bank of Ceylon since the 70th Anniversary of the Bank was commemorated this year. Celebrations were held in a manner befitting such a landmark achievement, highlighting past and present glories of the Bank.

In this context, three key events took place on a large scale.

An Inter-Province Staff Quiz Competition was conducted, drawing competing teams from across the Bank's operations and locations.

A special cultural programme featured 16 drama performances in which actors were drawn from the Bank's Provincial Branches, Head Office, Pettah and Metropolitan branches. The Bank is fortunate to have a large number of aesthetically-talented people on its staff. We gathered them all from across the island onto one stage at the BMICH for this programme. Whilst being highly appreciated by a distinguished audience, the standard of performance proved to be a high motivator in the process of team building within the Bank.

The second volume of the Bank's chronicle, 'Expanding Horizons' was launched during this 70th Anniversary year.

The first volume was published to coincide with the 50th anniversary of BOC.

The second volume covers the era from 1989-2009.

Sports Activities

During the year under review, the Bank's sportswomen became champions in Badminton in two International events - Badminton Championship conducted by Indo-Lanka Friendship, Badminton Series Ladies Open Single and Badminton Ladies Double.

Inter-Bank Quiz Competition

The Inter-Bank Quiz Competition held during the year provided opportunity for our members of staff to display their capabilities and knowledge. The BOC Team emerged the champions at the competition. People's Bank, Sampath Bank, Commercial Bank, National Savings Bank and Hatton National Bank also participated in this competition.

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EC4	Significant financial assistance received from Government	Sustainability Report	91
EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation	Sustainability Report	91
EC6	Policy, practices and proportion of spending on locally-based suppliers at significant locations of operation	Sustainability Report	91
EC7	Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation	Sustainability Report	91
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind or pro bono engagement	Sustainability Report	92
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts	Sustainability Report	92

ENVIRONMENT

EN1	Materials used by weight or volume	Sustainability Report	93
EN2	Percentage of materials used that are recycled input materials	Not Applicable	
EN3	Direct energy consumption by primary energy source	Not Applicable	
EN4	Indirect energy consumption by primary source	Not Applicable	
EN5	Energy saved due to conservation and efficiency improvements	Sustainability Report	93
EN6	Initiatives to provide energy-efficient or renewable energy-based products and services, and reductions in energy requirements as a result of these initiatives	*	
EN7	Initiatives to reduce indirect energy consumption and reductions achieved	*	
EN8	Total water withdrawal by source	*	
EN9	Water sources significantly affected by withdrawal of water	*	
EN10	Percentage and total volume of water recycled and reused	*	
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas (if applicable)	*	

** Not Applicable as per C Level Reporting*

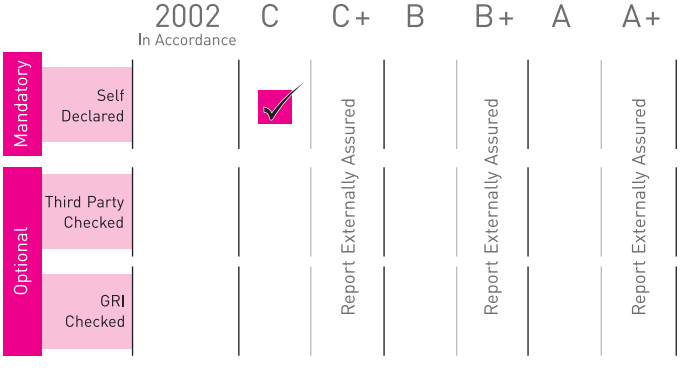
Index No.	Description	Relevant Chapter	Page
EN12	Description of significant impacts of activities, products and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	*	
EN13	Habitats protected or restored "Description of significant impacts of activities, products and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas"	Sustainability Report	98
EN14	Strategies, current action and future plans for managing biodiversity	Sustainability Report	98
EN15	Number of IUCN Red List Species & National Conservation List Species with habitats in areas affected by operations	*	
EN16	Total direct and indirect greenhouse gas emissions by weight	*	
EN17	Other relevant indirect greenhouse gas emissions by weight (Reported in carbon foot print)	*	
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved (Reported in carbon foot print)	*	
EN19	Emissions of ozone-depleting substances by weight (Reporting in carbon foot print)	*	
EN20	NO, SO and other significant air emissions by type and weight	*	
EN21	Total water discharge by quality and destination	*	
EN22	Total weight of waste by type and disposal method	*	
EN23	Total Number of and Volume of significant spills	*	
EN24	Weight of transported, imported, exported or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III and VIII, and percentage of transported waste shipped internationally	*	
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organisation's discharges of water and runoff	*	
EN26	Initiatives to mitigate environmental impacts of products and services and extent of impact mitigation	Sustainability Report	98
EN27	Percentage of products sold and their packaging materials reclaimed	*	
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	Sustainability Report	85
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organisation's operations and transporting members of the workforce	*	
EN30	Total environmental protection expenditures and investments by type	*	

SOCEITY

SO01	Nature, scope and effectiveness of any programmes and practices that assess and manage the impacts of operations on communities including entering, operating and exiting	Sustainability Report	80 - 84
SO02	Percentage and total number of business units analysed for risks related to corruption	Sustainability Report	85
SO03	Percentage of employees trained in organisation's anti-corruption policies and procedures	Sustainability Report	84 & 85
SO04	Actions taken in response to incidents of corruption	Not Applicable	
SO05	Public policy positions and participation in public policy development and lobbying	Sustainability Report	85
SO06	Total value of financial and in-kind contributions to political parties, politicians and related institutions by country	None	
SO07	Total number of legal actions for anti-competitive behaviour, anti-trust, and monopoly practices and their outcomes	Sustainability Report	85
SO08	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	Sustainability Report	85

** Not Applicable as per C Level Reporting*

Index No.	Description	Relevant Chapter	Page
LABOUR			
LA01	Total workforce by employment type, employment contract and region	Sustainability Report	98 & 99
LA02	Total number and rate of employee turnover by age group, gender and region	Sustainability Report	100
LA03	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations	Sustainability Report	100 & 101
LA04	Percentage of employees covered by collective bargaining agreements	Sustainability Report	101
LA05	Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements	Sustainability Report	101
LA06	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advice on occupational health and safety programmes	Sustainability Report	101
LA07	Rates of injury, occupational diseases, lost days and absenteeism, and number of work-related fatalities by province	Sustainability Report	101
LA08	Education, training, counselling, prevention of diseases and risk-control programmes in place to assist workforce members, their families, or community members regarding serious diseases	Sustainability Report	101
LA09	Health and safety topics covered in formal agreements with trade unions	Not Reported	
LA10	Average hours of training per year per employee by employee category	Sustainability Report	101
LA11	Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	Sustainability Report	102
LA12	Percentage of employees receiving regular performance and career development reviews	Sustainability Report	102
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership and other indicators of diversity	Sustainability Report	99
LA14	Ratio of basic salary of men to women by employee category	Not Applicable	



DEPOSITS

Local Currency Deposit Accounts

Normal Savings

Ran Kekulu Ginum
14+ Teen Savings
18+ Youth Savings
Sisu Saviya Savings
Kantha Ran Ginum
Senior Citizens Savings

Special Purpose Accounts

Ran Govi Thenpathu
Ranaviru Ran Ginum
Samurdhi Savings
TECO Savings
Dheevara Thenpathu
Prestige+ Current Account

Maturity Deposits

7-day Call Deposits
Savings Certificates
Normal Fixed Deposits
Moving Rate Fixed Deposits
Senior Citizens Fixed Deposits
Special Savings Certificate (scratch savings)
BOC Smart Investor

Foreign Currency Deposit Accounts

NRFC Accounts

Normal NRFC Savings
NRFC Fixed Deposits
Foreign Currency Savings Account for Professional Service Providers
Foreign Currency Fixed Deposit for Professional Service Providers
Foreign Currency Current Account for Professional Service Providers

RFC Accounts

Normal RFC Savings
RFC Fixed Deposits

Other Accounts

Ethera Thilina Savings
Ran Kekulu Foreign Currency
Children Savings
Resident Non-National Foreign Currency Savings
Export Foreign Currency Accounts

TREASURY

Primary Dealer Unit

Treasury Bills
Treasury Bonds
REPOs
Reverse REPOs

Forex & Fund Management

Forwards
SWAPS
Import/Export Financing
Custodian Services
Money Market Lending & Borrowing
Interest Rate Swap

Special Services

Cash Services

ATM Services
Cheque Encashment
SLT Direct Debit
Foreign Currency
RTGS Fund Transfer

Funds Transfer

Inter-Branch Money Transfers
SWIFT
SLIPS
Telegraphic Transfers
Mail Transfers
e-Cash Inward Remittance Service
Xpress Inward Remittance Service
Issuing and Encashing Foreign Drafts

Travel Services

Bureau de Exchange
Traveller's Cheques

Value - Added Services

Gold Shop
Safe Custody Vault
Insurance Desk
Left Handers' Cheque Book
Ran Kekulu Gift Vouchers
Money & Banking Museum
Small Entrepreneur Consultancy
Trade Information and Help Desk
e-Channelling
Ran Kekulu Sansada (School Savings Units)
SMS Banking
BOC Paymate
Phone Banking
BOC Internet Banking

Credit Cards

Visa Credit Card - Local
Visa Credit Card - International
Visa Platinum Smart Card (BOC Black Card)
Master Credit Card
Apsara Ladies Credit Card
Visa/Master Card Acquiring Services
Visa Electron Debit Card

Advances

Loans
Term Loans
Short Term Loans
Pledge Loans
Hypothecation Loans
Trust Receipt Loans
Series of Loans
Export Packing Credit Loans
Foreign Currency Loans
Ran Surekum Pawning
Bridging Loans
Scheme Loans
Personal Credit Package to the Dental Surgeons
BOC GMOA Premier Credit package
Special personal loan scheme for the members of the armed forces

Overdrafts

Permanent Overdrafts
Export Packing Credit Overdrafts
Ran Surekum Overdrafts
Temporary Overdrafts

Letters of Guarantee

Credit Purchase Guarantee
Tender Guarantee
Bid Guarantee (Bid Bond)
Performance Guarantee (Performance Bond)
Advance Payment Guarantee (Advance Bond)
Retention Guarantee (Retention Money Bond)
Customs Duty Guarantee for Imports (Custom Duty Bond)
Shipping Guarantee

Lease Financing

BOC Leasing Scheme
Special Leasing Scheme with DIMO

Other Services

Letters of Credit
Negotiation of Bills (DP/DA Terms, deferred payment terms)
Purchase of Export Bills (DA/DP)
Purchasing of Cheques
Encashment Facilities

Development Credit Schemes

Comprehensive Higher Educational Loans
Personal Computer Loans
BOC Housing Loan Scheme
Housing Loans for Government Employees
'Sookshma' Micro Credit Programme
Educational Loan Scheme for Professionals
Tea Development Project
Revolving Fund
'Dheevara Shakthi' Credit Scheme
'Govi Shakthi' Credit Scheme
EIB Post - Tsunami Line of Credit
Poverty Alleviation Micro Finance
Vehicle Loans for Government Employees
Personal Loans
Special Motor Vehicle Loan Scheme for Provincial Council Members
Loan Scheme for Passenger Transport
'Gamata Naya' Credit Scheme under 300 industrial development programme

Islamic Banking Products

BOC An-noor current account

FINANCIAL REPORTS

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STATEMENT OF DIRECTORS' RESPONSIBILITIES

This Statement by the Board of Directors is made especially to distinguish the respective responsibilities of the Directors and Auditors in relation to the Financial Statements.

FINANCIAL STATEMENTS

In terms of the provisions of Bank of Ceylon Ordinance (Chapter 397) and its amendments read with the Banking Act No. 30 of 1988 and its amendments, 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 acknowledge that in preparing the Financial Statements for the year 2009 presented in this Annual Report, the most appropriate accounting policies have been used and applied consistently supported by judgements and estimates that are reasonable and prudent. Material departures, if any, have been disclosed and explained.

The Financial Statements for the year 2009 presented in this Annual Report are in conformity with the requirements of the Bank of Ceylon Ordinance (Chapter 397) and its amendments, Banking Act No. 30 of 1988 and its amendments and Directions issued under it and also the Sri Lanka Accounting Standards, and they reflect a true and fair view of the state of affairs of the Bank and the Group as at 31 December 2009.

GOING CONCERN

The Directors are of the view that the Bank and the Group have adequate resources to continue in business for the foreseeable future. Accordingly, they have continued to adopt the going-concern basis in preparing the Financial Statements.

INTERNAL CONTROLS, RISK MANAGEMENT AND COMPLIANCE

They 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 constraints.

The Directors and Management have put in place risk management policies and guidelines. Management Committees are established to monitor and manage material risks. Arrangements are made to submit reports on risk 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 Risk Unit and reported to the Board.

The Audit Committee and Integrated Risk Management Committee, on an ongoing basis, have acted in strengthening the effectiveness of internal controls and risk management procedures. The Reports of the Audit Committee and Integrated Risk Management Committee are included on pages 58 and 61 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 119 of this Annual Report.

By order of the Board,

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

18 March 2010
Colombo

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE STATE OF AFFAIRS OF THE BANK OF CEYLON

The Directors of the Bank of Ceylon have pleasure in presenting their annual report on the affairs of the Bank together with the audited Consolidated Financial Statements for the year ended 31 December 2009. The Directors approved the Financial Statements on 18 March 2010.

PRINCIPAL ACTIVITIES

Bank

The principal activities of the Bank during the year were commercial banking, development financing, mortgage financing, lease financing, investment banking, corporate financing, dealing in Government securities, pawn broking, credit card facilities, off-shore banking, foreign currency operations and other financial services.

Subsidiaries

The principal activities of subsidiaries are given in Note 27.5 to the Financial Statements.

Associates

The principal activities of associates are given in Note 26.2 to the Financial Statements.

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 for engaging in insurance business through acquisition of an insurance company to the Group during the year.

CHANGES TO THE GROUP STRUCTURE

During the year, the Merchant Bank of Sri Lanka PLC, a subsidiary of the Bank of Ceylon, has extended its group structure, by acquiring a 100% stake in an existing insurance company and a 78% stake in a savings bank. The insurance company that has been renamed as MBSL Insurance Limited has become an indirect subsidiary of the Bank. The savings bank that has been renamed as MBSL Savings Bank Limited, has become an indirect associate of the Bank.

VISION, MISSION, CORPORATE CONDUCT

The Bank's Vision and Mission are given on page 6 of this Annual Report. The Bank maintains high ethical standards in its activities whilst pursuing the objectives stated under "Vision" and "Mission".

REVIEW OF THE YEAR'S PERFORMANCE

The Chairman's Message on pages 12 to 15 deals with the year's performance of the Bank/Group and on the Sri Lanka economy. The General Manager's Message on pages 18 to 20 provides a detailed description of the operations of the Bank during the year under review. Management Discussion and Analysis on pages 24 to 46, provides a detailed analysis of business operations of the Bank. These reports that provide a fair review of Bank's affairs, form an integral part of the Annual Report of the Directors for the year ended 31 December 2009.

BRANCH EXPANSION AND FUTURE DEVELOPMENTS

The Bank extended its services through the addition of 1 new branch and 46 extension offices during the period under review. The ATM network was further expanded enhancing customer convenience. The Bank installed 78 ATMs during the year across the island bringing out the total ATMs to 329 excluding peer banks' ATMs through which customers of BOC can transact. At the end of war period, the Bank facilitated banking requirements of the internally-displaced persons through setting up of 5 mini banks in converted containers.

An overview of the future plans and development of the Bank is presented in the Chairman's Message on pages 12 to 15.

RISK AND INTERNAL CONTROL

The Board of Directors assumes overall responsibility for managing risk. For this purpose, the Board of Directors has instituted and implemented an effective and comprehensive system of internal controls in the Bank. Internal control systems have been redesigned to mitigate the risks to which the Bank is exposed, and to provide reasonable but not absolute assurance against material misstatements or loss. The Bank's internal control systems provide the Directors with reasonable assurance that assets are safeguarded, transactions are authorised and properly recorded and material errors and irregularities are either prevented or detected within a reasonable period of time. The Directors are satisfied that a strong control environment is prevalent within the Bank and that the internal control systems are effective.

The specific measures taken by the Bank in mitigating the risk are detailed on pages 64 to 73 of this Report.

CORPORATE GOVERNANCE

The Board of Directors is committed towards the maintaining of 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 to Corporate Governance rules and regulations issued by regulators are described in the Corporate Governance Report appearing on pages 48 to 61 of this Report.

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE STATE OF AFFAIRS OF THE BANK OF CEYLON

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 on page 60 of this Report.

SUBCOMMITTEES

There are 4 subcommittees helping the Board of Directors to discharge their responsibilities. Reports of the Chairman of those subcommittees are contained in pages 58 to 61.

ACCOUNTING POLICIES

The accounting policies adopted in the preparation of Financial Statements are given on pages 125 to 137 of this Report. There have been no changes in the accounting policies adopted by the Bank during the year under review.

GROSS INCOME

The main income of the Group is interest income, which comprises 84% of the total income. The gross income of the Group for the year 2009 was Rs. 66,128 million as against Rs. 62,427 million in comparison to the previous year. The Bank's total income accounted for 96% (2008 - 96%) of total income of the Group.

PROFIT

The Bank recorded a pre-tax profit of Rs. 4,208 million in 2009 reflecting a decrease of 20%, compared to Rs. 5,231 million recorded for the previous year as a consequence of downward revision in interest rates. After deducting Rs. 1,124 million (Rs. 1,670 million in 2008) for income tax, the profit after tax for the year 2009 amounted to Rs. 3,084 million, a 13% reduction compared to Rs. 3,561 million profit after tax reported in 2008.

The pre-tax profit of the Group also decreased from Rs. 5,865 million to Rs. 4,720 million, a decrease of 20% in comparison to the previous year. After deducting Rs. 1,403 million for income tax (Rs. 1,916 million in 2008) the profit after tax for the year of the Group reduced to Rs. 3,317 million in 2009 from the profit after tax of Rs. 3,949 million reported in 2008.

STATED CAPITAL

The total issued and fully paid-up capital of the Bank as at 31 December 2009 was Rs. 5,000 million consisting of 5,000,000 ordinary shares.

SHAREHOLDING

The Government of Sri Lanka is the sole shareholder of the Bank of Ceylon.

SHARE INFORMATION

The earnings per share and net assets per share of the Group were Rs. 660 and Rs. 5,317 respectively, for the period under review.

DIVIDENDS

All profits after deduction of tax, loan loss provision and any such portion for reserves, if any, as the Government shall determine, will be declared as dividends to the Government. Accordingly, a sum of Rs. 1,346 million has been paid by the Bank as dividends for the year (2008 - Rs. 846 million).

RESERVES

The total reserves of the Group stood at Rs. 21,583 million as at 31 December 2009 (2008 - Rs. 19,892 million). The movements in reserves are given in the Statement of Changes in Equity on page 122.

Details of profit relating to the Bank are given in Table 1.

Table 1	2009 Rs. '000	2008 Rs. '000
Profit for the year after payment of all expenses and providing for depreciation, possible loan losses and contingencies before VAT & Tax	7,202,472	7,303,986
VAT on financial services	(2,994,825)	(2,073,379)
Profit before income tax	4,207,647	5,230,607
Provision for taxation	(1,123,641)	(1,669,626)
Net profit after taxation	3,084,006	3,560,981
Appropriations		
Transfers to permanent reserve fund	65,000	70,000
Transfers to primary dealer risk reserve	187,571	34,574
Dividends	1,346,410	846,410
Unappropriated profit carried forward	**1,485,025**	**2,609,997**

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE STATE OF AFFAIRS OF THE BANK OF CEYLON

ISSUE OF DEBENTURES

The Group had issued debentures (both listed and unlisted) amounting to Rs. 19,113 million as at 31 December 2009 (2008 - Rs. 19,147 million). The Group issued unsecured redeemable one year debentures amounting to Rs. 330 million during the year. The proceeds of these debentures were utilised by the particular subsidiary company for the lending purposes. The details of debentures outstanding as at the date of Balance Sheet are given in Note 38 to the Financial Statements.

CORPORATE DONATIONS

The donations granted during the year amounted to Rs. 370,000/-.

CORPORATE SUSTAINABILITY AND RESPONSIBILITY

The programmes carried out under the Corporate Sustainability and Responsibility (CS & R) are detailed on pages 76 to 102.

PROPERTY, PLANT & EQUIPMENT

The total capital expenditure incurred by the Group on the acquisition of property, plant & equipment during the year amounted to Rs. 1,488 million (2008 - Rs. 799 million) the details of which are given in Notes 29, 30 and 31 to Financial Statements on pages 168 to 171 of this Annual Report.

MARKET VALUE OF FREEHOLD PROPERTIES

The market value of freehold properties owned by the Group as at 31 December 2009, is included in Note 29 to the Financial Statements at Rs. 4,177 million (2008 - Rs. 4,316 million).

DIRECTORS

The Board of Directors of the Bank of Ceylon as at 31 December 2009, consisted of six members including Chairman and they 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 present Directors are given on page 209.

The Directors of the Bank during the year under review are:

Dr. Gamini Wickramasinghe *(Chairman)*

Dr. R H S Samaratunga

Mr. G K A Chaminda K Kularatne

Mr. Raju Sivaraman

Mr. Gunaratna Gallage

Dr. Buddhadasa Kaluarachchi

Mr. V Kanagasabapathy *(Alternate Director to Dr. R H S Samaratunga)*

All the directors are non-executive. The details of their independence on which Directors are classified as Independent Directors are discussed in the Corporate Governance Report on pages 48 to 61.

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING

The Directors are responsible for the preparation of the 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 and the Banking Act No. 30 of 1988 and its amendments. The Directors' Responsibility Statement appearing on page 110 of this Annual Report describes in detail the Directors' Responsibilities in relation to Financial Statements, which forms an integral part of the Annual Report of the Directors.

DIRECTORS' INTERESTS IN CONTRACTS

Directors' interests in contracts with the Bank, both direct and indirect are referred to on pages 115 to 118. These interests have been declared at meetings of the Board of Directors. Except for the contracts given on pages 115 to 118, the Directors do not have any direct or indirect interest in other contracts or proposed contracts with the Bank.

DIRECTORS' INTEREST IN DEBENTURES ISSUED BY THE BANK/GROUP

Dr. Gamini Wickramasinghe, Chairman has invested US$ 349,000 in debentures issued by the Bank during the year 2008 and appears in the Debenture Register as at 31 December 2009. There were no debentures registered in the name of any other Director as at the beginning and at the end of the year.

DIRECTORS' ALLOWANCES/FEES

The allowances/fees payable to Board of Directors are made in terms of the provisions/contents in the Public Enterprises Circular Nos. PED 35 dated 17 January 2006, PF/PE/23 dated 19 July 2002, letter dated 24 March 2008, all issued by the Department of Public Enterprises of the Ministry of Finance and Planning, and Bank of Ceylon Ordinance (Chapter 397) and its amendments.

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE STATE OF AFFAIRS OF THE BANK OF CEYLON

The Directors' remuneration in respect of the Group and the Bank for the financial year ended 31 December 2009, is given in Note 11 to the Financial Statements on page 143.

COMPLIANCE WITH LAWS AND REGULATIONS

The Directors, to the best of their knowledge and beliefs confirm that the Bank has not engaged in any activities contravening the laws and regulations.

OUTSTANDING LITIGATION

The Directors are of the opinion that the litigation currently pending against the Bank will not have a material impact on the reported financial results or future operations of the Bank. This opinion is based on the information given by the Bank's Legal Department.

STATUTORY PAYMENTS

The Board is confident that all statutory payments due to the Government and in relation to employees have been made on time.

ENVIRONMENTAL PROTECTION

The Bank has not engaged in any activity, which has caused detriment to the environment.

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 disclosure other than those disclosed in Note 45 to the Financial Statements.

GOING CONCERN

The Directors are confident that the resources of the Bank are adequate to continue its operations. Accordingly, the going concern basis has been applied in preparing the Financial Statements.

APPOINTMENT OF AUDITORS

The Auditor General is the Auditor of Bank of Ceylon. He has been appointed in terms of the provisions of Article 154 of the Constitution of the Democratic Socialist Republic of Sri Lanka.

By Order of the Board,

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

18 March 2010
Colombo

DIRECTORS' INTERESTS IN CONTRACTS

Related party disclosures as per the Sri Lanka Accounting Standard No. 30 (Revised 2005) on Related Party Disclosure are detailed in Note 47 and 48 to the Financial Statements. In addition, the transactions that have been carried out in the ordinary course of business 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	Accommodation granted/ Deposits	Limit Rs. '000	Balance/Amount outstanding as at 31.12.09 Rs. '000	Balance/Amount outstanding as at 31.12.08 Rs. '000	Security
Dr. Gamini Wickramasinghe						
Ceybank Holiday Homes (Private) Limited	Chairman	Call deposit		–	25	
		Current account		2,585	2,518	
		Time deposit		75	50	
		Other payable		138	818	
		Overdraft		–	7	
		Other receivable		580	525	
BOC Travels (Private) Limited	Chairman	Savings account		–	5,000	
		Current account		17,202	10,840	
		Time deposit		20,000	20,000	
		Overdraft	9,600	–	–	Book debts
		Debenture		5,000	5,000	
		Letter of guarantee	50,000	50,000	50,000	Indemnity of directors
Property Development PLC	Chairman	Current account		1,965	1,969	
		Time deposit		112,000	–	
		Repo balance		989,140	709,900	
		Rent paid in advance		209,328	209,328	
		Deposit for fuel		907	907	
		Other payable		110,547	49,271	
		Letter of credit	5,000	–	–	Related shipping documents
Mireka Capital Land (Private) Limited	Director	Current account		US$ 0.3 (Rs. 34)	US$ 182 (Rs. 20,675)	
		Current account		12,673	12,385	
		Term loan	US$ 24,000	US$ 24,000 (Rs. 2,749,320)	US$ 15,000 (Rs. 1,708,200)	Time deposits placed by Shing Kwan Investment (Singapore) Pte. Ltd.
		Other receivable		12,809	–	
Ceylease Financial Services Limited	Director (Resigned w.e.f. 31.12.2009)	Current account		6,381	16	
		Repo balance		17,000	–	
		Overdraft	50,000	–	35,427	Clean
		Series of loans	450,000	58,880	502,404	Lease receivable/hire purchase receivable backed by Power of Attorney
		Bridging finance	100,000	–	–	
		Letter of credit	50,000	–	–	Bills of exchange and shipping documents
		Money market loan	350,000	86,000	299,000	Clean
		Other receivables		615	–	
Informatics Group of Companies**	Managing Director	Savings account		14	23	
		Savings account		US$ 16 (Rs. 1,854)	US$ 20 Rs. 2,278)	
		Current account		9,555	817	
		Time deposit		US$ 454 (Rs. 52,008)	– –	
		Overdraft	45,600	46,369	1	
		Term loan	17,300	6,343	9,803	Mortgage over commercial property
		Letter of guarantee	9,600	2,314	1,733	
		Letter of guarantee	US$ 1,778	US$ 1,778 (Rs. 203,679)	–	Balance in NRFC savings A/C
		Procurement transaction value excluding taxes		46,556	80,916	

***(1) The Board of Directors of BOC, in terms of minute No. 4.1 of 22.02.2008 has approved to procure 57 numbers of Automated Teller Machines from Informatics (Private) Limited.*

(2) The Board of Directors of BOC, in terms of minute No. 1.2.07 of 05.05.2009 has approved appointing Visual Computing Systems (Private) Limited (A company belonging to Informatics Group) to provide maintenance support on Tandem server.

(3) The Board of Directors of BOC, in terms of minute No. 5.2 of 14.08.2009 has approved to procure 12 numbers of Automated Teller Machines from Informatics (Private) Limited.

DIRECTORS' INTERESTS IN CONTRACTS

Company	Relationship	Accommodation granted/ Deposits	Limit Rs. '000	Balance/Amount outstanding as at 31.12.09 Rs. '000	Balance/Amount outstanding as at 31.12.08 Rs. '000	Security
Mr. Raju Sivaraman						
Ceylease Financial Services Limited	Director	Current account		6,381	16	
		Repo balance		17,000	–	
		Overdraft	50,000	–	35,427	Clean
		Series of loans	450,000	58,880	502,404	Lease receivable/hire purchase receivable backed by Power of Attorney
		Bridging finance	100,000	–	–	
		Letter of credit	50,000	–	–	Bills of exchange and shipping documents
		Money market loan	350,000	86,000	299,000	Clean
		Other receivables		615	–	
Mireka Capital Land (Private) Limited	Director (Resigned w.e.f. 31.12.2009)	Current account		US$ 0.3 (Rs. 34)	US$ 182 (Rs. 20,675)	
		Current account		12,673	12,385	
		Term loans	US$ 24,000	US$ 24,000 (Rs. 2,749,320)	US$ 15,000 (Rs. 1,708,200)	Time deposits placed by Shing Kwan Investment (Singapore) Pte. limited
		Other receivables		12,809	–	
Property Development PLC	Director (Resigned w.e.f. 31.12.2009)	Current account		1,965	1,969	
		Time deposit		112,000	–	
		Repo balance		989,140	709,900	
		Rent paid in advance		209,328	209,328	
		Deposit for fuel		907	907	
		Other payable		110,547	49,271	
		Letter of credit	5,000	–	–	Related shipping documents
Arch-Triad Consultants (Private) Limited**	Managing Director	Consultancy services value		10,997	1,870	

***(1) In terms of minute No 5.8 of 14 December 2006, the Board of Directors of BOC has appointed this company as Consultant Architect for construction of branch office and managers' quarters at Madurankuliya.*

(2) The Board of Directors of BOC, in terms of minute No. 4.1 of 14.08.2009 has approved appointing Arch-Triad Consultants (Private) Limited as the interior design consultants for interior/ exterior refurbishment of Super Grade Branch, Nugegoda.

Company	Relationship	Accommodation granted/ Deposits	Limit Rs. '000	Balance/Amount outstanding as at 31.12.09 Rs. '000	Balance/Amount outstanding as at 31.12.08 Rs. '000	Security
Dr. B Kaluarachchi						
Hotels Colombo (1963) Limited	Chairman	Current account		5,695	11,997	
		Time deposit		31,085	12,828	
		Other receivable		110,195	92,729	
Merchant Credit of Sri Lanka Limited	Director	Current account		36,964	8,818	
		Time deposit		15	15	
		Series of loans	250,000	–	36,724	Lease receivables backed by Power of Attorney
		Money market loan	50,000	30,000	–	
		Overdraft	50,000	–	25,008	
		Bridging finance	100,000	–	–	
		Repo balance		14,000	200,000	
		Reverse Repo		127,000	–	
		Letter of credit	10,000	–	–	
		Letter of guarantee	4,000	–	–	
The Lanka Hospital Corporation Limited	Director	Current account		68	–	
		Current account		US$ 2 (Rs. 176)	– –	

DIRECTORS' INTERESTS IN CONTRACTS

Company	Relationship	Accommodation granted/ Deposits	Limit Rs. '000	Balance/Amount outstanding as at 31.12.09 Rs. '000	Balance/Amount outstanding as at 31.12.08 Rs. '000	Security
Mr. G K A Chaminda K Kularatne						
Hotels Colombo (1963) Limited	Director	Current account		5,695	11,997	
		Time deposit		31,085	12,828	
		Other receivable		110,195	92,729	
MBSL Insurance Company Limited	Director	Current account		4,057	–	
Mr. V Kanagasabapathy						
Merchant Bank of Sri Lanka PLC	Director	Current account		39,361	14,428	
		Debentures		370	–	
		Term loan	26,250	26,250	71,250	Clean
		Series of loans	300,000	–	199,400	Lease receivable backed by Power of Attorney
		Money market loan	100,000	–	–	
		Overdraft	50,000	11,615	132,314	
		Intra day overdraft	5,000	–	–	
		Repo balance		35,000	–	
		Grant on immediate Credit on cheque limit	1,000	–	–	
		Reverse Repo balance		–	135,000	
		Contingencies		–	1,000	
		Guarantee	2,500	2,500	–	
Hotel Developers Limited	Director	Savings account		US$ 3	–	
				(Rs. 357)	–	
		Savings account		JPY 1	–	
				(Rs.1)	–	
		Current account		4,531	564	
		Term loan (Granted under SRCC & T fund)	350,000	113,750	148,750	Treasury guarantee
De La Rue Lanka Securities and Currency Print (Private) Limited	Director	Savings account		GBP 217	–	
				(Rs. 39,463)	–	
		Current account		7,091	1,847	
		Current account		GBP 170	–	
				(Rs. 30,915)	–	
		Time deposit		13,803	6,893	
		Overdraft	30,000	14,256	2,578	Mortgage over commercial property
		Letter of credit	43,220	38,631	–	Related shipping documents
		Letter of guarantee	30,043	7,690	–	Time deposits
Association of Accounting Technicians	Member of the Governing Council	Current account		2,068	–	
		Time deposit		22,020	–	
		Overdraft	5,000	–	–	
Distance Learning Centre Limited	Director	Current account		3,382	–	
		Time deposit		7,680	–	
		Overdraft	2,000	–	–	
Lanka Hydraulic Institute Limited	Director	Savings account		31	–	
		Current account		169	–	

DIRECTORS' INTERESTS IN CONTRACTS

Company	Relationship	Accommodation granted/ Deposits	Limit Rs. '000	Balance/Amount outstanding as at 31.12.09 Rs. '000	Balance/Amount outstanding as at 31.12.08 Rs. '000	Security
Dr. R H S Samaratunga						
Mihin Lanka (Private) Limited	Director	Current account		US$ 145	–	
				(Rs. 16,610)	–	
		Current account		47,434	–	
		Overdraft		–	1,208,665	
		Letter of credit	US$ 13,500	US$ 13,300	–	Treasury guarantee
				(Rs. 1,523,582)	–	
De La Rue Lanka Securities and Currency Print (Private) Limited	Director	Savings account		GBP 217	–	
				(Rs. 39,463)	–	
		Current account		7,091	1,847	
		Current account		GBP 170	–	
				(Rs. 30,915)	–	
		Time deposit		13,803	6,893	
		Overdraft	30,000	14,256	2,578	Mortgage over commercial property
		Letter of credit	43,220	38,631	–	Related shipping documents
		Letter of guarantee	30,043	7,690	–	Time deposits
Postgraduate Institute of Management	Director	Savings account		11,000	–	
		Savings account		US$ 4	–	
				(Rs. 504)	–	
		Current account		13,620	–	
		Time deposit		28,119	–	
Securities & Exchange Commission of Sri Lanka	Director	Current account		1,156	–	
		Time deposit		28	–	
Mr. G Gallage						
Hotels Colombo (1963) Limited	Director (Resigned w.e.f. 31.12.2009)	Current account		5,695	11,997	
		Time deposit		31,085	12,828	
		Other receivable		110,195	92,729	

REPORT OF THE AUDITOR GENERAL

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கணக்காய்வாளர் தலைமை அதிபதி திணைக்களம்
AUDITOR GENERAL'S DEPARTMENT

මගේ අංකය / எனது இல / My No } EF/F/BOC/2009

ඔබේ අංකය / உமது இல / Your No. }

දිනය / திகதி / Date } 29 March 2010

The audit of the accompanying financial statements of Bank of Ceylon ("Bank") the consolidated financial statements of the Bank and its subsidiaries as at 31 December 2009 which comprise the Balance Sheets as at that date, and the Income Statements, Statements of Changes in Equity and Cash Flow Statements for the year then ended, and a summary of significant accounting policies and other explanatory notes (Nos. 1 to 49) to the financial statements was carried out under my direction in pursuance of provisions in Article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka. The financial statements of the subsidiaries were audited by firms of Chartered Accountants in public practice appointed by the members of the respective subsidiaries.

RESPONSIBILITY OF THE MANAGEMENT FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

SCOPE OF AUDIT AND BASIS OF OPINION

My responsibility is to express an opinion on these financial statements based on my audit. The audit was carried out in accordance with Sri Lanka Auditing Standards, which require that the audit shall be planned and performed to obtain reasonable assurance as to whether the financial statements are free from material misstatements. The audit includes the examination on a test basis of evidence supporting the amounts and disclosures in the said financial statements. The audit also includes assessing the accounting policies used and significant estimates made by the management, as well as evaluating the overall presentation of financial statements. I have obtained all the information and explanations which to the best of my knowledge and belief were necessary for the purpose of my audit. I therefore believe that my audit provides a reasonable basis for my opinion.

OPINION

So far as appears from my examination, I am of opinion that the Bank had maintained proper accounting records for the year ended 31 December 2009 and the financial statements give a true and fair view of the state of affairs of the Bank as at 31 December 2009 and its profit and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

I am of opinion that the consolidated financial statements give a true and fair view of the state of affairs as at 31 December 2009 and the profit 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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

These financial statements had been presented the information required by the Banking Act, No. 30 of 1988 and subsequent amendments.

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 (I) 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.

S. Swarnajothi
Auditor General

සිදහත් වත්තරගය, කොළඹ 07, ශ්‍රී ලංකාව
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INCOME STATEMENT

For the year ended 31 December	Note	Page No.	Bank 2009 Rs. '000	Bank 2008 Rs. '000	Bank Change %	Group 2009 Rs. '000	Group 2008 Rs. '000	Group Change %
Income	1	138	**63,461,366**	**60,181,811**	**5.4**	**66,128,194**	**62,427,335**	**5.9**
Interest income	2	138	53,076,779	49,683,941	6.8	55,279,046	51,592,828	7.1
Interest expense	3	138	(38,266,874)	(35,988,808)	6.3	(39,489,821)	(37,000,616)	6.7
Net interest income			14,809,905	13,695,133	8.1	15,789,225	14,592,212	8.2
Fee and commission income	4	138	4,218,506	4,084,349	3.3	4,317,004	4,140,850	4.3
Fee and commission expenses	5	139	(531,957)	(629,191)	(15.5)	(538,039)	(637,094)	(15.5)
Net fee and commission income			3,686,549	3,455,158	6.7	3,778,965	3,503,756	7.9
Foreign exchange profit			1,566,916	2,886,541	(45.7)	1,566,916	2,886,541	(45.7)
Dividend income	6	139	347,878	400,599	(13.2)	150,456	227,418	(33.8)
Net gains from investment in securities	7	139	1,961,210	580,938	237.6	2,012,436	582,824	245.3
Other operating income	8	139	789,945	945,596	(16.5)	1,165,478	1,316,381	(11.5)
Operating income			23,162,403	21,963,965	5.5	24,463,476	23,109,132	5.9
Operating Expenses								
Personnel costs	9	139	(8,107,775)	(6,977,931)	16.2	(8,572,330)	(7,286,596)	17.6
Staff retirement benefits	10	140	(2,409,631)	(2,294,600)	5.0	(2,427,467)	(2,320,983)	4.6
Premises, equipment and establishment expenses	11	143	(2,677,921)	(2,567,805)	4.3	(2,491,248)	(2,297,962)	8.4
Other operating expenses	11	143	(2,463,031)	(2,044,804)	20.5	(2,967,045)	(2,430,697)	22.1
Operating profit before provisions			7,504,045	8,078,825	(7.1)	8,005,386	8,772,894	(8.7)
Provision for loan losses	12	143	(1,801,705)	(2,373,656)	(24.1)	(1,894,977)	(2,483,437)	(23.7)
Recovery of non-performing advances			1,500,132	1,599,847	(6.2)	1,506,205	1,617,122	(6.9)
Provision for fall in value of investments and dealing securities	13	143	–	(1,030)	(100.0)	49,005	5,072	866.2
Operating profit before VAT			7,202,472	7,303,986	(1.4)	7,665,619	7,911,651	(3.1)
Value added tax on financial services			(2,994,825)	(2,073,379)	44.4	(3,076,362)	(2,110,311)	45.8
Operating profit			4,207,647	5,230,607	(19.6)	4,589,257	5,801,340	(20.9)
Share of profit of Associate Companies before tax	14	143	–	–	–	130,653	63,371	106.2
Profit before taxation			4,207,647	5,230,607	(19.6)	4,719,910	5,864,711	(19.5)
Income tax expense	15	144	(1,123,641)	(1,669,626)	(32.7)	(1,402,987)	(1,915,912)	(26.8)
Profit after taxation			**3,084,006**	**3,560,981**	**(13.4)**	**3,316,923**	**3,948,799**	**(16.0)**
Attributable to:								
Equity holder of the parent			3,084,006	3,560,981	(13.4)	3,299,873	3,870,381	(14.7)
Minority interest			–	–		17,050	78,418	(78.3)
Profit for the year			**3,084,006**	**3,560,981**	**(13.4)**	**3,316,923**	**3,948,799**	**(16.0)**
Basic earnings per share (Rs.)	16	145	616.80	712.20		659.97	774.08	
Dividend per share (Rs.)	16	145	269.28	169.28		269.28	169.28	

The significant accounting policies on pages 125 to 137 and notes on pages 138 to 194 form an integral part of these Financial Statements.

BALANCE SHEET

As at 31 December	Note	Page No.	Bank 2009 Rs. '000	Bank 2008 Rs. '000	Bank Change %	Group 2009 Rs. '000	Group 2008 Rs. '000	Group Change %
ASSETS								
Cash and short term funds	17	146	13,508,852	10,167,647	32.9	13,517,254	10,214,551	32.3
Balances with Central Banks	18	146	16,263,468	15,629,080	4.1	16,263,468	15,629,080	4.1
Treasury bills, bonds and other eligible bills	19	146	28,735,396	25,947,463	10.7	29,688,285	26,427,367	12.3
Securities purchased under re-sale agreements			6,615,045	1,759,500	276.0	6,667,925	1,759,500	279.0
Dealing securities	20	147	1,827,869	143,717	1,171.9	2,137,383	412,656	418.0
Placements with and loans to other banks	21	152	45,867,067	16,403,341	179.6	45,887,067	16,413,341	179.6
Treasury bonds maturing after one year			46,910,486	38,834,394	20.8	46,910,486	38,834,394	20.8
Loans & advances to customers								
- Bills of exchange	22.1	152	15,254,316	15,926,242	(4.2)	15,700,891	16,255,792	(3.4)
- Loans & advances	22.2	153	245,602,284	249,329,592	(1.5)	247,201,769	249,419,117	(0.9)
- Lease rentals receivable - within one year	22.3	155	1,920,713	1,631,892	17.7	4,790,308	3,764,962	27.2
- Lease rentals receivable - one to five years	22.4	155	2,287,871	4,216,981	(45.7)	5,106,358	8,119,128	(37.1)
- Lease rentals receivable - after five years	22.5	155	207	318	(34.9)	300	12,775	(97.7)
			265,065,391	271,105,025	(2.2)	272,799,626	277,571,774	(1.7)
Government of Sri Lanka Restructuring Bonds	23	158	8,547,000	8,547,000	–	8,547,000	8,547,000	–
Investment securities	24	158	75,844,742	69,681,297	8.8	76,453,242	69,686,341	9.7
Investment properties	25	163	–	–	–	391,730	428,750	(8.6)
Investments in Associate Companies	26	164	844,658	818,610	3.2	1,084,065	956,370	13.4
Investments in Subsidiary Companies	27	165	3,191,859	2,783,954	14.7	–	–	–
Other assets	28	168	19,184,449	17,303,781	10.9	19,774,648	18,144,416	9.0
Property, plant & equipment	29	168	5,660,753	5,010,446	13.0	7,072,057	6,428,236	10.0
Leasehold land	30	171	63,290	8,439	650.0	107,110	53,617	99.8
Intangible assets	31	171	110,812	232,564	(52.4)	119,205	241,841	(50.7)
Total assets			**538,241,137**	**484,376,258**	**11.1**	**547,420,551**	**491,749,234**	**11.3**
FINANCED BY:								
LIABILITIES								
Deposits from customers	32	172	408,607,442	316,069,566	29.3	411,459,582	318,177,652	29.3
Borrowed funds	33	172	33,098,377	61,297,895	(46.0)	35,767,123	63,213,865	(43.4)
Securities sold under re-purchase agreements	34	172	34,203,701	49,801,656	(31.3)	32,968,041	48,720,006	(32.3)
Insurance provision - life	35.1	173	–	–		41,336	–	–
Insurance provision - non life	35.2	173	–	–		181,569	–	–
Tax payable			189,824	1,078,501	(82.4)	287,650	1,232,593	(76.7)
Deferred tax liability	36	173	409,453	506,531	(19.2)	440,132	565,697	(22.2)
Other liabilities	37	174	18,789,140	14,531,249	29.3	19,627,591	15,145,463	29.6
Debentures	38	175	18,044,613	17,988,604	0.3	19,113,386	19,146,514	(0.2)
Total liabilities			**513,342,550**	**461,274,002**	**11.3**	**519,886,410**	**466,201,790**	**11.5**
SHAREHOLDERS' EQUITY								
Stated capital	39	178	5,000,000	5,000,000	–	5,000,000	5,000,000	–
Permanent reserve fund	40	178	2,650,000	2,585,000	2.5	2,650,000	2,585,000	2.5
Retained profits			15,819,588	14,334,563	10.4	17,115,523	15,826,941	8.1
Reserves	41	178	1,428,999	1,182,693	20.8	1,817,762	1,480,161	22.8
Total equity attributable to the parent			24,898,587	23,102,256	7.8	26,583,285	24,892,102	6.8
Minority interest			–	–		950,856	655,342	45.1
Total equity			24,898,587	23,102,256	7.8	27,534,141	25,547,444	7.8
Total shareholders' equity and liabilities			**538,241,137**	**484,376,258**	**11.1**	**547,420,551**	**491,749,234**	**11.3**
Commitments and contingencies	42	180	246,244,648	164,812,680	49.4	246,316,116	164,864,856	49.4

The significant accounting policies on pages 125 to 137 and notes on pages 138 to 194 form an integral part of these Financial Statements.

These Financial Statements give a true and fair view of the state of affairs as at 31 December 2009 and its profit for the year then ended.

W A Asoka Rupasinghe
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 by,

Dr. Gamini Wickramasinghe
Chairman

R Sivaraman
Director

B A C Fernando
General Manager

18 March 2010
Colombo

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December	Note	Page No.	Stated capital: Share capital Rs. '000	Stated capital: Capital pending allotment Rs. '000	Reserves: Permanent reserve fund Rs. '000	Reserves: Other reserves Rs. '000	Reserves: Revaluation reserves Rs. '000	Retained profits Rs. '000	Total equity Rs. '000
Bank									
Balance at 01 January 2008			4,000,000	1,000,000	2,515,000	1,245,133	129,404	12,160,632	21,050,169
Net profit for the year 2008			–	–	–	–	–	3,560,981	3,560,981
Dividends for 2008	16.1	145	–	–	–	–	–	(846,410)	(846,410)
Transfers to permanent reserve	40	178	–	–	70,000	–	–	(70,000)	–
Revaluation adjustment	41.1	178	–	–	–	–	(2,443)	–	(2,443)
Net exchange translation adjustment	41.3	179	–	–	–	(223,975)	–	–	(223,975)
Transfers to primary dealer special risk reserve	41.4	179	–	–	–	34,574	–	(34,574)	–
Prior year adjustment on deferred tax			–	–	–	–	–	(436,066)	(436,066)
Transferred to share capital			1,000,000	(1,000,000)	–	–	–	–	–
Balance at 31 December 2008			**5,000,000**	**–**	**2,585,000**	**1,055,732**	**126,961**	**14,334,563**	**23,102,256**
Balance at 01 January 2009			5,000,000	–	2,585,000	1,055,732	126,961	14,334,563	23,102,256
Net profit for the year 2009			–	–	–	–	–	3,084,006	3,084,006
Dividends for 2009	16.1	145	–	–	–	–	–	(1,346,410)	(1,346,410)
Transfers to permanent reserve	40	178	–	–	65,000	–	–	(65,000)	–
Revaluation adjustment	41.1	178	–	–	–	–	(1,662)	–	(1,662)
Net exchange translation adjustment	41.3	179	–	–	–	60,397	–	–	60,397
Transfers to primary dealer special risk reserve	41.4	179	–	–	–	187,571	–	(187,571)	–
Balance at 31 December 2009			**5,000,000**	**–**	**2,650,000**	**1,303,700**	**125,299**	**15,819,588**	**24,898,587**

For the year ended 31 December	Note	Page No.	Attributable to the parent: Stated capital: Share capital Rs. '000	Stated capital: Capital pending allotment Rs. '000	Reserves: Permanent reserve fund Rs. '000	Reserves: Other reserves Rs. '000	Reserves: Revaluation reserves Rs. '000	Retained profits Rs. '000	Minority interest Rs. '000	Total equity Rs. '000
Group										
Balance at 01 January 2008			4,000,000	1,000,000	2,515,000	1,466,796	182,797	13,396,498	595,404	23,156,495
Net profit for the year 2008			–	–	–	–	–	3,870,381	78,418	3,948,799
Dividends for 2008	16.1	145	–	–	–	–	–	(846,410)	(30,476)	(876,886)
Transfers to permanent reserve	40	178	–	–	70,000	–	–	(70,000)	–	–
Transfer to other reserves			–	–	–	22,412	–	(22,412)	–	–
Revaluation adjustment	41.1	178	–	–	–	–	(2,443)	–	–	(2,443)
Adjustments			–	–	–	–	–	(30,476)	11,996	(18,480)
Net exchange translation adjustment	41.3	179	–	–	–	(223,975)	–	–	–	(223,975)
Transfers to primary dealer special risk reserve	41.4	179	–	–	–	34,574	–	(34,574)	–	–
Prior year adjustment on deferred tax			–	–	–	–	–	(436,066)	–	(436,066)
Transferred to share capital			1,000,000	(1,000,000)	–	–	–	–	–	–
Balance at 31 December 2008			**5,000,000**	**–**	**2,585,000**	**1,299,807**	**180,354**	**15,826,941**	**655,342**	**25,547,444**
Balance at 01 January 2009			5,000,000	–	2,585,000	1,299,807	180,354	15,826,941	655,342	25,547,444
Net profit for the year 2009			–	–	–	–	–	3,299,873	17,050	3,316,923
Dividends for 2009	16.1	145	–	–	–	–	–	(1,346,410)	(30,629)	(1,377,039)
Transfers to permanent reserve	40	178	–	–	65,000	–	–	(65,000)	–	–
Transfers to reserve			–	–	–	91,295	–	(91,295)	–	–
Share issue of Subsidiaries			–	–	–	–	–	–	237,094	237,094
Revaluation adjustment	41.1	178	–	–	–	–	(1,662)	–	–	(1,662)
Adjustments			–	–	–	–	–	(321,015)	–	(321,015)
Net increase due to change in shareholding			–	–	–	–	–	–	71,999	71,999
Net exchange translation adjustment	41.3	179	–	–	–	60,397	–	–	–	60,397
Transfers to primary dealer special risk reserve	41.4	179	–	–	–	187,571	–	(187,571)	–	–
Balance at 31 December 2009			**5,000,000**	**–**	**2,650,000**	**1,639,070**	**178,692**	**17,115,523**	**950,856**	**27,534,141**

The significant accounting policies on pages 125 to 137 and notes on pages 138 to 194 form an integral part of these Financial Statements.

CASH FLOW STATEMENT

For the year ended 31 December	Note	Bank 2009 Rs. '000	Bank 2008 Rs. '000	Group 2009 Rs. '000	Group 2008 Rs. '000
Cash flows from operating activities					
Interest receipts		52,699,040	46,432,991	54,790,121	48,092,344
Interest payments		(36,221,614)	(32,565,332)	(37,191,635)	(33,912,840)
Commission, fees and other operating income		4,917,426	5,361,727	5,335,677	5,796,079
Premium received from policy holders		–	–	264,405	–
Reinsurance premium paid		–	–	(47,696)	–
Claims and benefits paid		–	–	(126,668)	–
Reinsurance receipts in respect of claims		–	–	8,557	–
Non-performing advances recovered		1,500,132	1,599,847	1,506,205	1,617,122
Cash payments to employees		(10,517,406)	(9,272,532)	(10,999,797)	(9,607,579)
Cash payments to suppliers		(4,165,318)	(4,658,800)	(4,262,472)	(4,665,144)
Value added tax on financial services paid		(2,994,825)	(2,073,379)	(3,076,362)	(2,110,311)
Cash flows from operating profits before changes in operating assets and liabilities	I	**5,217,435**	**4,824,522**	**6,200,335**	**5,209,671**
(Increase)/decrease in operating assets					
Deposits held for regulatory purposes		(634,388)	1,624,021	(634,388)	1,624,021
Funds advanced to customers		4,122,236	11,669,074	2,990,251	11,041,855
Credit card receivable		60,376	(24,366)	60,376	(24,366)
Short term marketable securities		(704,119)	3,371,746	(793,699)	3,150,284
Other assets		(312,490)	4,497,326	(175,450)	4,375,938
Increase/(decrease) in operating liabilities					
Deposits from other banks		420,101	(93,542)	420,101	(93,542)
Deposits from customers		92,117,775	7,306,849	92,861,829	7,720,047
Other liabilities		1,439,144	(1,644,020)	1,232,593	(851,902)
Net cash from/(used in) operating activities before income tax		101,726,070	31,531,610	102,161,948	32,152,006
Income tax paid		(1,611,027)	(1,269,471)	(1,858,874)	(1,435,424)
Net cash from/(used in) operating activities		**100,115,043**	**30,262,139**	**100,303,074**	**30,716,582**
Cash flows from investing activities					
Net increase in treasury bills and other eligible bills		(2,748,295)	12,114,606	(3,221,280)	11,874,002
Proceeds from sale of investment and dealing securities		777,133	135,911	777,133	138,560
Dividend received		347,878	400,599	150,456	227,418
Purchase of investment securities		(13,917,685)	(77,642,886)	(14,262,934)	(77,471,595)
Investment in Subsidiaries and Associates					
(a) Acquisition of Subsidiaries	II	–	–	(134,800)	–
(b) Investment in Subsidiaries and Associates	II	(433,954)	47,930	(126,048)	–
Purchase of property, plant & equipment		(1,390,830)	(627,489)	(1,430,799)	(777,758)
Purchase of intangible assets		(55,548)	(20,219)	(56,707)	(21,454)
Purchase of securities purchased under re-sale agreements		(4,855,545)	(1,699,500)	(4,908,425)	(1,438,732)
Proceeds from sale of property, plant & equipment		110,617	200,083	120,878	218,329
Net cash from/(used in) investing activities		**(22,166,229)**	**(67,090,965)**	**(23,092,526)**	**(67,251,230)**
Cash flows from financing activities					
Proceeds from issue of shares		–	–	237,094	–
Proceeds from issue of securities sold under re-purchase agreements		(15,597,955)	1,212,632	(15,751,965)	1,017,515
Proceeds from issue/(redemption) of debentures		–	8,838,604	(88,750)	8,570,254
Net increase/(decrease) in other borrowings		(28,199,518)	25,228,565	(27,453,459)	25,418,776
Dividends paid		(1,346,410)	(846,410)	(1,346,410)	(846,410)
Minority interest		–	–	(30,629)	(30,476)
Net cash (used in)/from financing activities		**(45,143,883)**	**34,433,391**	**(44,434,119)**	**34,129,659**
Net increase/(decrease) in cash and cash equivalents		32,804,931	(2,395,435)	32,776,429	(2,404,989)
Cash and cash equivalents at the beginning of the year		26,570,988	28,966,423	26,627,892	29,032,881
Cash and cash equivalents at the end of year	III	**59,375,919**	**26,570,988**	**59,404,321**	**26,627,892**

CASH FLOW STATEMENT

For the year ended 31 December	Note	Page No.	Bank 2009 Rs. '000	Bank 2008 Rs. '000	Group 2009 Rs. '000	Group 2008 Rs. '000
Note I						
Reconciliation of operating profit before taxation with cash flow from operating activities						
Profit before taxation			4,207,647	5,230,607	4,719,910	5,864,711
Add/(less):						
Net gain from dealing securities			(835,429)	(418,881)	(836,290)	(424,508)
Net gain from investment securities			(906,066)	(292,500)	(902,061)	(288,492)
Net (gain)/loss on mark to market valuation on Government securities			(361,490)	19,145	(361,490)	19,145
Net (gain)/loss on mark to market valuation on shares			(164,076)	(87,930)	(164,076)	(87,930)
Profit on sale of property, plant & equipment	8	139	(98,371)	(260,780)	(111,975)	(277,038)
Provision for investment and dealing income			–	(1,030)	49,006	5,072
Exchange revaluation			(1,402,125)	(2,316,536)	(1,402,125)	(2,316,536)
Provision for loan losses	12	143	1,801,705	2,373,656	1,894,977	2,483,437
Share of profit of associate companies	14	143	–	–	(130,653)	(63,371)
Notional tax credit on interest on Government securities	15.6	145	(351,925)	(19,304)	(351,924)	(19,304)
Depreciation on investment properties	25	163	–	–	3,060	1,024
Depreciation on property, plant & equipment	29	168	686,428	568,452	790,745	655,809
Amortisation of leasehold land	30	171	8,648	–	20,857	–
Amortisation of intangible assets and leasehold property	31	171	185,473	186,362	189,860	188,819
Provision for accrued interest:						
- Accrued interest on loans & advances			601,230	(3,402,533)	490,043	(3,633,185)
- Accrued interest on deposits & borrowings			2,045,260	3,424,609	2,298,186	3,082,701
Goodwill on acquisition			–	–	1,063	–
Dividends received from Subsidiaries and Associates			(199,474)	(178,815)	–	–
Equity adjustment of related companies			–	–	3,222	19,317
Cash flows from operating profits before changes in operating assets and liabilities			**5,217,435**	**4,824,522**	**6,200,335**	**5,209,671**
Note II						
Investment in Subsidiaries and Associates						
(a) Acquisition of Subsidiaries - MBSL Insurance						
Net identifiable assets and liabilities in:						
Cash and cash equivalents			–	–	3,806	–
Investments			–	–	258,210	–
Amounts receivable			–	–	165,274	–
Property, plant & equipment			–	–	22,075	–
Trade payables			–	–	(305,105)	–
Borrowings			–	–	(6,717)	–
Goodwill on acquisitions			–	–	1,063	–
Total purchase price			–	–	138,606	–
Cash of Subsidiaries			–	–	(3,806)	–
Cash flow on acquisition net of cash acquired			**–**	**–**	**134,800**	**–**
(b) Bank's investment in Subsidiaries and Associates						
Investment in Merchant Bank of Sri Lanka PLC			(347,906)	–	–	–
Investment in Ceylease Financial Services Limited			(60,000)	–	–	–
Investment in Unit Trust Management (Private) Limited			(26,048)	–	(26,048)	–
Investment in MBSL Savings Bank Limited			–	–	(100,000)	–
Divestment in Property Development & Management (Private) Limited			–	47,930	–	–
			(433,954)	**47,930**	**(126,048)**	**–**
Note III						
Analysis of cash and cash equivalents						
Cash and short term funds	17	146	13,508,852	10,167,647	13,517,254	10,214,551
Placements with and loans to other banks	21	152	45,867,067	16,403,341	45,887,067	16,413,341
			59,375,919	**26,570,988**	**59,404,321**	**26,627,892**

The significant accounting policies on pages 125 to 137 and notes on pages 138 to 194 form an integral part of these Financial Statements.

SIGNIFICANT ACCOUNTING POLICIES

1. CORPORATE INFORMATION

Bank of Ceylon is a Government Corporation 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 No. 4, Bank of Ceylon Mawatha, Colombo 1, Sri Lanka.

The number of persons employed by the Bank as at 31 December 2009 was 7,538 (7,912 as at 31 December 2008). The consolidated Financial Statements of the Bank prepared for the year ended 31 December 2009 comprise the Bank, its Subsidiaries and Group's interests in its Associate Companies.

The Bank does not have an identifiable parent of its own.

The Financial Statements for the year ended 31 December 2009 were authorised for issue on 18 March 2010, in accordance with a resolution of the Board of Directors passed on 18 March 2010.

1.1 Principal Activities

Bank

The principal activities of the Bank during the year were commercial banking, development financing, mortgage financing, lease financing, investment banking, corporate financing, dealing in Government securities, pawn broking, credit card facilities, off-shore banking, foreign currency operations and other financial services.

There have been no significant changes in the nature of these activities during the year.

Subsidiaries

The principal activities of Bank's Subsidiaries are as follows:

Name of company	Principal activity
Property Development PLC	Maintain, manage & develop utility and value of BOC head office building
Merchant Bank of Sri Lanka PLC	Leasing and hire purchase, trade finance, corporate advisory services, fund management, capital market activities, corporate secretarial and legal services
BOC Management and Support Services	Provides management services
BOC Property Development and Management (Private) Limited	Renting of office space of BOC Merchant Tower in Colombo 3 and Ceybank House in Kandy
BOC Travels (Private) Limited	Engages in travel related-services
Hotels Colombo (1963) Limited	Provides hotel services
Merchant Credit of Sri Lanka Limited	Acceptance of deposits, granting lease facilities, hire purchase, loans and other credit facilities and real estate developments and related services
Ceylease Financial Services Limited	Provides leasing, hire purchase, commercial loan facilities and real estate development and sales
Ceybank Holiday Homes (Private) Limited	Operating of Pilgrims Rests/Holiday Homes/Guest Houses
MBSL Insurance Company Limited	Offers Life and General Insurance Products

SIGNIFICANT ACCOUNTING POLICIES

There have been no significant changes in the nature of principal activities of Subsidiaries during the year under review other than for engaging in insurance business through acquisition of an insurance company to the Group during the year.

Associates

The principal activities of Bank's Associates are as follows:

Name of company	Principal activity
Lanka Securities (Private) Limited	Equity trading, debt trading and placements
Mireka Capital Land (Private) Limited	Purchasing, hiring and acquiring real estate properties, real estate development
Southern Development Financial Company Limited	Venture capital funding
Transnational Lanka Records Solutions (Private) Limited	Real estate - Renting out properties
Unit Trust Management Company (Private) Limited	Managing Unit Trust Funds and private portfolio
MBSL Savings Bank Limited	Offers Saving Products

There have been no significant changes in the nature of business activities of Associates during the year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The Financial Statements of the Bank and the Group encompassing the Balance Sheet, Income Statement, Cash Flow Statement, Statement of Changes in Equity, Accounting Policies and the Notes thereto are prepared in conformity with Accounting Standards issued by The Institute of Chartered Accountants of Sri Lanka and on the basis of historical cost convention except otherwise stated as required by the above standards, which have been applied consistently with that of the previous year. Except as indicated, the Financial Statements presented in Sri Lankan Rupees have been rounded to the nearest thousand. No adjustment has been made for inflationary factors affecting the Financial Statements except on certain land and buildings, investment properties and dealing securities.

2.2 Estimates and Management Judgements

The preparation of Financial Statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amount of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances.

The estimates and assumptions are 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.

2.3 Materiality and Aggregations

Each material class of similar items is presented separately in the Financial Statements. Items of a dissimilar nature or function are presented separately unless they are immaterial.

2.4 Statement of Compliance

The Financial Statements of the Bank and its Subsidiaries are prepared in accordance with the Sri Lanka Accounting Standards (SLASs) laid down by the Institute of Chartered Accountants of Sri Lanka and comply with the requirements of Bank of Ceylon Ordinance and Banking Act No. 30 of 1988 and amendments thereto. In the case of Financial Statements of Subsidiaries in addition to the above, they comply with the Companies Act No. 07 of 2007, Finance Leasing Act No. 56 of 2000, Finance Companies Act No. 78 of 1988 and Insurance Industry Act No. 43 of 2000. The Financial Statements of the Bank and its Subsidiaries present fairly the financial position, financial performance and cash flows.

2.5 Foreign Currency Translation

Functional and Presentation Currency

Items in the Financial Statements of the Bank and each of its Subsidiaries are translated using their functional currency, being the currency of the primary economic environment in which the entity operates. The Financial Statements are presented in Sri Lankan Rupees, which is the functional and presentation currency of the Bank and its Subsidiaries.

2.5.1 Foreign Currency Transactions

Transactions in foreign currencies are measured at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Sri Lankan Rupees at the exchange rate ruling at the Balance Sheet date. Foreign exchange differences arising from this translation are recognised in the Income Statement. Non-monetary assets and liabilities measured at cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities measured at fair value in foreign currencies are translated into Sri Lankan Rupees at the exchange rate ruling at the date the fair value was determined.

2.5.2 Foreign Operations

The results and financial position of the Group's operations whose functional currency is not Sri Lankan Rupees are translated into Sri Lankan Rupees as follows:

- Assets and liabilities are translated at the exchange rate ruling at the Balance Sheet date;
- Income and expenses in the Income Statement are translated at an average exchange rate approximating the exchange rates at the dates of the transactions; and in the case of income and expenses of overseas branches, the monthly average exchange rates are applied for translation;
- Resulting exchange differences are recognised as a separate component of equity;
- Forward exchange contracts are valued at the forward market rates ruling on the date of the Balance Sheet. Resulting net unrealised gains and losses are dealt with through the Income Statement.

2.5.3 Consolidation Adjustments

On consolidation, foreign exchange differences arising from the translation of net investments in foreign entities, as well as any borrowings and instruments designated as foreign currency hedges of such investments are taken to capital reserves. When a foreign operation is disposed of, such currency translation differences are recognised in the Income Statement as part of the gain or loss on disposal.

2.6 Basis of Consolidation

The Bank's Financial Statements comprise the consolidation of the Financial Statements of the Domestic Banking Unit, the Off-shore Banking Unit and the foreign operations that are integral to the Bank. The Group Financial Statements comprise consolidation of the Financial Statements of the Bank, its Subsidiaries in terms of the Sri Lanka Accounting Standard No. 26 (Revised 2005) on 'Consolidated and Separate Financial Statements' and Associates in terms of the Sri Lanka Accounting Standard No. 27 (Revised 2005) on 'Investments in Associates'.

2.6.1 Subsidiaries

Subsidiaries are those companies in which the Bank, directly or indirectly, has an interest of more than one-half of the voting rights and has control over the financial and operating policies.

Subsidiaries are consolidated from the date on which effective control is transferred to the Bank and are no longer consolidated from the date of disposal.

A listing of the Bank's Subsidiaries is given in Note 27 to the Financial Statements. Separate disclosure is made in respect of minority interest.

2.6.2 Associates

Associates are entities in which the Group has significant influence, but not control, and generally holds a shareholding of between and including 20% and 50% of the voting rights.

The Group's investments in Associates are initially carried at cost. The carrying amount is increased or decreased to recognise the Group's share of net assets of the Associate, less any impairment in value after the date of acquisition. Where the Group's share of losses in an Associate equals or exceeds its interest in the Associate, including any unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the Associate.

The results of the Associates are taken from the latest audited accounts or unaudited management accounts of the Associates prepared at dates not more than three months prior to the end of the financial year of the Group.

A listing of the Bank's principal Associates is shown in Note 26 to the Financial Statements.

2.6.3 Business Combinations and Goodwill

Business combinations are accounted for using the Purchase Method of Accounting as per the requirements of the Sri Lanka Accounting Standard No. 25 (Revised 2004) on 'Business Combinations'. This involves recognising identifiable assets and liabilities of the acquired business at fair value. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired, is recognised as goodwill. If the cost of acquisition is less than the fair values of the identifiable net assets acquired, the difference is identified as discount on acquisition and is recognised directly in the Income Statement in the year of acquisition.

Goodwill acquired in a Business Combination is initially measured at cost, being the excess of the cost of the Business Combination over the Bank's interests in the net fair value of the identifiable assets, liabilities including contingent liabilities acquired. Sri Lanka Accounting Standard No. 25 (Revised 2004) on 'Business Combinations' requires that following the initial recognition, goodwill is to be measured at cost, less any accumulated impairment losses and goodwill to be reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The acquired goodwill is written-off in full in the year of acquisition.

When Subsidiaries/Associates/other business units are sold, the difference between the selling price and the net assets plus cumulative translation differences and unimpaired goodwill, if any, is recognised in the Income Statement in the year of disposal.

2.6.4 Transactions Eliminated on Consolidation

All intra-group transactions, balances, income and expenses are eliminated on consolidation. Profits 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. Where necessary, adjustments are made to the Financial Statements of Subsidiaries and Associates to bring the Accounting Policies used in line with those used by the Group.

2.7 Taxation

Provision for taxation comprises current and deferred tax. Provision for taxation is recognised in the Income Statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

2.7.1 Current Taxation

Provision for taxation on Sri Lankan operations is made on the basis of the net profit for the year as adjusted for taxation purposes in accordance with the provisions of the Inland Revenue Act No. 10 of 2006 and the amendments thereto. Provision for taxation on the overseas branches is made on the basis of the net profit for the year as adjusted for taxation purposes in accordance with the provisions of the relevant statutes at the rates specified in Note 15.

2.7.2 Deferred Taxation

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Statements. Temporary differences are not recognised for goodwill, that are not deductible for tax purposes and for the initial recognition of assets or liabilities that neither affects accounting nor taxable profit. The amount of deferred tax is provided based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the Balance Sheet date.

Deferred tax assets that arise from unused tax losses and unused tax credits are recognised to the extent that it is probable that future taxable profits will be available against, which the temporary differences can be utilised.

Deferred tax is provided on temporary differences arising on accelerated tax depreciation, investments in Subsidiaries and Associates and also securities except where the timing of the reversal of the temporary difference can be controlled and also it is possible that the temporary difference will not be reversed in the foreseeable future.

2.7.3 Value Added Tax on Financial Services

During the year, the Bank's total value addition was subjected to a 20% Value Added Tax as per Section 25 A of the Value Added Tax Act No. 14 of 2002 and amendments thereto.

2.7.4 Economic Service Charge (ESC)

In terms of the provisions of the Economic Service Charge Act No. 13 of 2006, ESC is payable on the liable turnover at specified rates. ESC paid is deductible from the income tax liability. Any unclaimed liability can be carried forward and set off against the income tax payable for a further four years.

2.7.5 Social Responsibility Levy (SRL)

In terms of the provisions of the Finance Act No. 5 of 2005, as amended by the Finance Act No. 11 of 2006, SRL is payable at the rate of 1.5% on all taxes and levies chargeable as specified in the First Schedule of the Act.

2.7.6 Withholding Tax on Dividends

Dividend distributed out of taxable profit of the Subsidiaries and Associate Companies attracts a 10% deduction at source and is not available for set off against the tax liability of the Bank. Thus, the withholding tax deducted at source is added to the tax expense in preparing the consolidated Financial Statements as a consolidation adjustment.

3. ASSETS AND BASIS OF THEIR VALUATION

3.1.1 Loans and Advances

All loans and advances are recognised when cash is advanced to borrowers. Loans and advances are stated in the Balance Sheet net of provisions for loan losses and net of interest, which is not accrued to revenue.

3.1.2 Finance Leases

Assets leased to customers, which transfer substantially all the risks and rewards associated with ownership other than legal title for a specific period are accounted for as finance leases.

Lease receivables are stated in the Balance Sheet net of initial rentals received, unearned lease income and provision for doubtful of rentals.

3.1.3 Credit Card Receivables

Amounts receivable on credit cards are included in advances to customers at the amounts expected to be recovered.

3.2 Non-Performing Loans and Provision for Loan Losses

3.2.1 (a) Non-Performing Loans

Loans, advances and finance leases which are 90 days or more in arrears of due capital or interest are classified as non-performing. In addition, credit facilities are classified as non-performing where full recoverability in accordance with agreed terms is in doubt due to circumstances affecting the repayment capacity of the borrower.

3.2.1 (b) Foreclosed Properties

Foreclosed properties represent properties that are acquired in full or partial satisfaction of debts. These properties are classified as non-performing advances and accounted for at the lower of cost or market value on an individual property basis. The shortfall between the market value of the foreclosed assets and the related loan outstanding is recognised as a provision for loan losses in the Income Statement. Foreclosed properties are not subject to depreciation.

Subsequent gains and losses on the disposal of the foreclosed properties are taken into account in determining operating profits.

3.2.2 Provision for Loans, Advances and Finance Leases

3.2.2 (a) Provision for Non-Performing Loans and Advances

Provisions for non-performing loans and advances are made on the basis of a continuous review of all loans and advances in accordance with the applicable Accounting Standards and the regulations imposed by the Central Bank of Sri Lanka.

Accordingly, specific provisions have been made as follows:

Period outstanding	Classification	Provision made net of realisable value of the security
3 to 6 months	Special mention	–
6 to 12 months	Substandard	20%
12 to 18 months	Doubtful	50%
18 months and over	Loss	100%

Additional provisions have also been made over and above the minimum percentages specified above, on a case-by-case basis depending on the risk associated with such loans. When a loan is deemed uncollectable, it is written-off against the related provision for impairments. Subsequent recoveries are credited to the Income Statement.

In addition, the value of the security is determined on the 'Hair Cut Rule' imposed by the Central Bank of Sri Lanka ie. the extent up to which the Forced Sale Value (FSV) of immovable property can be counted as the value of security (which is given below) in calculating the provisioning for non-performing advances.

	% of FSV of Immovable Property that can be considered as the net value of security	
Item	Freehold property	Leasehold property
For the advances in the substandard and doubtful category	75	60
For the advances in the Loss Category		
Less than 12 months	75	60
More than 12 months but less than 24 months	60	50
More than 24 months but less than 36 months	50	40
More than 36 months but less than 48 months	40	30
More than 48 months	40	Nil

SIGNIFICANT ACCOUNTING POLICIES

3.2.2 (b) Provision for Lease Rentals Receivable in Arrears

When the rental is in arrears over a consecutive period of 90 days, the specific provision is made as follows:

Period of outstanding	Classification	Provision
90 - 180 days	Special mention	–
Over 180 days	Loss	100%

Category	Provision
A	100% of capital outstanding of lease assets minus 50% of the invoice value/ condition and valuation report whichever is lower, net of upfront rentals and cash security obtained, if any.
B	100% of capital outstanding net of upfront rentals and cash security obtained, if any.

Category A - Identified at the time of termination of lease contract.

Category B - Identified at the time of loss of the assets.

3.2.2 (c) Provision for Credit Card Receivables

When the required minimum payment is in arrears on credit card receivables, specific provision is made as follows:

Period of outstanding	Classification	Provision
3 - 4 months	Special mention	–
4 - 6 months	Substandard	25%
6 - 8 months	Doubtful	50%
Over 8 months	Loss	100%

3.2.2 (d) Provision for Pawning

A 100% specific provision is made for the total amount advanced for unsold articles at every auction.

3.2.2 (e) Provision for Regular Advances

Apart from specific provisions, the Bank also carries general provision of 1% on total performing and special mention loans and advances for credit losses to absorb all losses inherent in its loan portfolio including credit card receivables, lease rental receivables and pawning.

3.3 Investments

3.3.1 Investments in Subsidiaries

Investments in Subsidiaries are accounted for under the cost method of accounting in the Bank's Financial Statements in accordance with the Sri Lanka Accounting Standard No. 26 (Revised 2005) on 'Consolidated and Separate Financial Statements'. Accordingly, investments in Subsidiaries are stated in the Bank's Balance Sheet at cost, less impairment losses, if any.

3.3.2 Investments in Associates

Investments in Associates are accounted for under the cost method in the Bank's Financial Statements and under the equity method in the Group's Financial Statements in accordance with the Sri Lanka Accounting Standard No. 27 (Revised 2005) 'Investment in Associates'.

In the Bank's Balance Sheet, investments in Associates are stated at cost, less impairment losses, if any. Under the equity method, the investments in Associates are initially accounted for at cost and the carrying amount is adjusted for post-acquisition changes in the Bank's share of net assets of the Associates, less any impairment.

3.3.3 Dealing Securities

These are marketable securities acquired and held with the intention of re-sale over a short period of time. Such securities are marked to market and carried at market value in the Balance Sheet. Any gains/losses on mark to market valuation are dealt with through the Income Statement.

3.3.4 Investment Securities

These are acquired and held for yield or capital growth in the medium or long term. Such securities are recorded at cost. Changes in market values of these securities are not taken into account, unless there is considered to be diminution in value, which is other than temporary.

3.4 Property, Plant & Equipment

3.4.1 Basis of Recognition

Property, plant & equipment 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.

3.4.2 Measurement

An item of property, plant & equipment that qualifies for recognition as an asset is initially measured at its cost of purchase directly attributable to the acquisition of the asset or construction or valuation together with any incidental expenses thereon.

The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use and the costs of dismantling and removing the items and restoring the site on which they are located.

3.4.3 Cost Model

The Group applies cost model to plant & equipment and records at cost of purchase or construction together with any incidental expenses thereon, less accumulated depreciation and any accumulated impairment losses.

3.4.4 Revaluation Model

The Group applies the revaluation model for the entire class of freehold land and buildings. Such properties are carried at a revalued amount, being their fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Freehold land and buildings of the Group are revalued every seven years on a roll over basis to ensure that the carrying amounts do not differ materially from the fair values at the Balance Sheet date. On revaluation of an asset, any increase in the carrying amount is credited directly to equity, under capital reserve or used to reverse a previous revaluation decrease relating to the same asset, which was debited to the Income Statement. In this circumstance, the increase is recognised as income to the extent of the previous written-down. Any decrease in the carrying amount is recognised as an expense in the Income Statement or debited directly to equity under revaluation reserve to the extent of any credit balance existing in the capital reserve in respect of that asset.

3.4.5 Subsequent Costs

The cost of replacing part of an item of property, plant & equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within that part will flow into the Group and its cost can be reliably measured.

3.4.6 Restoration Costs

The cost incurred on repairs and maintenance of property, plant & equipment in order to restore or maintain future economic benefits is charged to Income Statement as incurred.

3.4.7 Derecognition

The carrying amount of an item of property, plant & equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of an item of property, plant & equipment is included in the Income Statement when the item is derecognised.

When replacement costs are recognised in the carrying amount of an item of property, plant & equipment, the remaining carrying amount of the replaced part is derecognised.

3.4.8 Depreciation

The Group provides depreciation on straight-line basis over the periods appropriate to the estimated useful lives of the different types of assets.

Provisioning for depreciation of property, plant & equipment is made on pro-rata basis.

The depreciation on domestic assets is determined using the following estimated useful lives.

Freehold Building	Over 40 years
Office Equipment	Over 08 years
Furniture & Fittings	Over 08 years
Computer Equipment	Over 05 years
Motor Vehicles	Over 04 years

The future economic benefits embodied in the assets that are used by overseas branches are different from that of used in domestically in terms of the asset's expected utility to these branches.

Accordingly, the depreciation on assets belonging to overseas branches is determined using the following estimated useful lives.

Freehold Building	Over 50 years
Freehold/Leasehold Refurbishment	Over 10 years
Office Equipment & Computers	Over 05 years
Furniture & Fittings	Over 10 years

3.4.9 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, major plant and machinery and system development, awaiting capitalisation.

3.4.10 Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset have been capitalised as part of the cost of the asset in accordance with the Sri Lanka Accounting Standard No. 20 on 'Borrowing Costs'. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use are completed.

3.5 Leasehold Property

Leasehold properties are recorded at carrying value in terms of the Sri Lanka Accounting Standard No. 19 (Revised 2005) on 'Leases'.

The carrying value of leasehold properties is amortised over the remaining lease term or useful life of leasehold property, whichever is lower.

3.6 Intangible Assets

3.6.1 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 entity and the cost of the assets can be measured reliably.

3.6.2 Measurement

3.6.2 (a) Software

Software represents the value of computer application software licensed for use of the Bank, other than software applied to the operation software system of computers. Intangible assets are carried at its cost, less accumulated amortisation and any impairment losses.

An intangible asset is recognised if it is probable that the future economic benefits that are attributable to the asset will flow to the entity and the cost of the assets can be measured reliably.

The initial costs comprise license fees paid at the time of purchase, duties/levies and also other directly attributable expenditure that are incurred in customising the software for its intended use.

3.6.2 (b) Goodwill

Goodwill arising on the acquisition represents the excess of the cost of acquisition over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities at the date of acquisition. According to the revised Sri Lanka Accounting Standard No. 25 (Revised 2004) on 'Business Combinations', goodwill is no longer amortised. Instead, goodwill is tested for impairment annually and assessed for any indication of impairment at each reporting date to ensure that its carrying amount does not exceed its recoverable amount. If an impairment loss is identified, it will be recognised immediately in the Income Statement.

The negative goodwill is recognised immediately in the Income Statement.

3.6.3 Subsequent Expenditure

Expenditure incurred on software is capitalised only when it enhances and extends the economic benefits of computer software beyond their original specifications and lives and such cost is recognised as capital improvement and added to the original cost of software.

3.6.4 Amortisation

Intangible assets except for goodwill are amortised using the straight-line method over the estimated useful life of five years commencing from the date the application software is available for use over the best estimate of its useful economic life. A periodic review is performed on intangible assets to confirm that there has been no impairment.

3.6.5 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 asset are measured as the difference between the net disposal proceeds and the carrying amount of the assets, and are recognised in the Income Statement.

3.7 Investment Properties

3.7.1 Basis of Recognition

Investment property is property that is held to earn rentals or for capital appreciation or both and the future economic benefits that are associated with the investment property but not for sale in the ordinary course of business.

3.7.2 Measurement

Investment property is accounted for under cost model in the Financial Statements. Accordingly, after recognition as an asset, the property is carried at its cost, less accumulated depreciation and impairment losses.

3.7.3 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.

3.7.4 Derecognition

Investment properties are derecognised when disposed of, or permanently withdrawn from use because no future economic benefits are expected. Transfers are made to and from investment property only when there is a change in use.

3.8 Impairment of Non-Financial Assets

The carrying amounts of the Group's assets are reviewed at each reporting date to determine whether there is objective evidence of impairment. If any such evidence exists, the carrying amount of a particular asset or portfolio of assets is reduced to the estimated recoverable amount by means of a charge to the Income Statement, in those expense categories consistent with the function of the impaired asset or portfolio of assets, except for property previously revalued where the revaluation was taken to equity. In this case, the impairment is also recognised in equity up to the amount of any previous revaluation.

The recoverable amount of an asset is the higher of its net selling price and value in use. The net selling price is the fair value of an asset or cash-generating unit, less costs to sell. In determining 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 risk specific to the assets. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit and then, to reduce the carrying amount of the other assets in the unit.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Bank makes an estimate of the recoverable amount. Previously recognised impairment losses other than in respect of goodwill are reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment losses were recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. Such reversal is recognised in the Income Statement unless the asset is carried at the revalued amount, in which case, the reversal is treated as a revaluation increase.

3.9 Securities purchased under Re-sale Agreements (Reverse Repos)

Securities purchased under Re-sale Agreements are treated as collateralised lending and recorded at the consideration paid and interest accrued thereon. The amount lent is shown as an asset either as Loans and Advances to Customers or Loans to other Banks.

The difference between purchase price and re-sale price is treated as interest received and accrued evenly over the life of Repo agreement.

3.10 Government of Sri Lanka Treasury Bills, Bonds and other Securities

3.10.1 Investments that are held for trading

Investments in Treasury Bills and Treasury Bonds that are acquired for the purpose of short-term selling (held for trading) are marked to market and carried at that value in the Balance Sheet. Gains and losses on mark to market valuation are dealt with through the Income Statement.

3.10.2 Long-Term Investments that are held to maturity

Investments in Treasury Bills and Treasury Bonds that the Bank intends and is able to hold to maturity are reflected at the value of the Bonds/ Bills purchased and the discount/ premium accrued thereon. Discounts received/premia paid are taken to the Income Statement based on a pattern reflecting a constant periodic rate of return.

4. LIABILITIES AND PROVISIONS

4.1 Deposits from Customers

Deposits from customers include non-interest bearing deposits, savings deposits, term deposits, 7 days' call deposits and certificate of deposits. They are stated in the Balance Sheet at amounts payable. Interest paid/payable on these deposits is charged to the Income Statement.

4.2 Borrowed Funds

Borrowed funds include call money borrowings, refinance borrowings and other term borrowings from banks. They too are stated in the Balance Sheet at amounts payable. Interest paid/payable on these borrowings is charged to the Income Statement.

4.3 Securities sold under Re-purchase Agreements (Repos)

Securities sold under repurchase agreements ('Repos') are treated as collateralised borrowings and stated at the consideration received and interest accrued thereon. These are retained in the Financial Statements and the counter-party liability is accounted for as a liability and classified under debt securities in issue.

The difference between sale and repurchase price is treated as interest paid and accrued evenly over the life of the Repo period.

4.4 Defined Benefit Plans

4.4.1 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 to 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 56.76% of gross salary for employees who joined the Bank prior to 01 January 1996. Employees who joined the Bank on and after 01 January 1996 may contribute 20% of their gross salary to a Pension Fund in which event the Bank contributes 5%. This arrangement is tentatively pending until the formulation of a contributory pension scheme is finalised.

The Subsidiaries do not operate Pension Funds.

4.4.2 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 a monthly Widows'/Widowers' and Orphans' Pension to his/her beneficiaries. The pension to beneficiaries of an employee who dies while in service is based on the last drawn salary excluding certain allowances.

The fund is actuarially valued by a qualified actuary once in three years and the deficit is bridged piece meal. Bridging of full deficit is currently under evaluation. This would be done in consultation with the Actuary, Trustees and Beneficiaries. Currently, the Bank contributes a sum of Rs. 456 million per annum to meet the deficit as recommended by the Actuary.

Both the Pension Fund and the Widows'/Widowers' and Orphans' Pension Fund are approved by the Government and are independently administered.

4.4.3 Provision for Gratuity

Provision has not been made in the Financial Statements for retirement gratuity payable under the Payment of Gratuity Act No. 12 of 1983, to employees who joined the Bank prior to 1 January 1996 as the Bank has its own non-contributory retirement benefit scheme in force. However, employees whose services are terminated 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. A provision is being made in these Financial Statements for retirement gratuities from the first year of service for all employees who joined the Bank on or after 01 January 1996, as they are not covered by the pension scheme of the Bank.

In terms of the Sri Lanka Accounting Standard No. 16 (Revised 2006) on 'Employee Benefits', the Bank and its Subsidiaries have calculated the post-employment benefit obligations based on the actuarial valuation method recommended in SLAS 16 and recognised that provision in the Income Statement.

The Gratuity Liabilities are not externally funded.

4.5 Defined Contribution Plans

Contributions to defined contribution plans are recognised as an expense in the Income Statement as incurred.

4.5.1 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 excluding overtime while employees contribute 8%. The Bank's Provident Fund is an approved Fund, which is independently administered.

4.5.2 Employees' Provident Fund

The Subsidiaries and their employees (other than Bank of Ceylon and its employees) contribute at the rate ranging from 12% to 15% and 8% to 10% respectively on salary of each employee to the Employees' Provident Fund, in terms of the Employees' Provident Fund Act No. 15 of 1958 as amended.

4.5.3 Employees' Trust Fund

All employees of the Bank and its Subsidiaries are members of the Employees' Trust Fund to which Bank/Group contributes 3% of employees' monthly gross salary excluding overtime, in terms of the Employees' Trust Fund Act No. 46 of 1980.

4.6 Provisions for Liabilities

A provision is recognised in the Balance Sheet when the Bank has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligations, in accordance with the Sri Lanka Accounting Standard No. 36 on 'Provisions, Contingent Liabilities and Contingent Assets'.

5. INCOME STATEMENT

5.1 Revenue Recognition - Bank and Non-Insurance Business

5.1.1 Interest Income from Loans and Advances

Interest income from loans and advances is recognised on an accrual basis. Interest ceases to be accrued when the recovery of principal or interest is in arrears for more than 90 days. Interest income from non-performing loans and advances is accounted for on cash basis. Interest falling due on non-performing loans and advances is credited to interest in suspense account on memorandum basis. In addition, interest accrued up to three months on such non-performing loans and advances is also eliminated from the interest income and transferred to interest in suspense.

5.1.2 Lease Income

Lease income is the interest component of the lease rentals of all finance leases receivable during the year. The excess to the aggregate rental receivable over the cost of the leased assets constitutes unearned income, which is taken into revenue over the term of the lease, from the month in which the lease is executed, in proportion to the remaining receivable balance of the lease. Interests on finance leases cease to be accrued when they are in arrears for more than 90 days. Thereafter, such income is recognised on cash basis.

5.1.3 Interest Income from Other Sources

Interest income from Government or Central Bank of Sri Lanka securities is recognised on a time proportionate basis as premia/discounts on purchase and amortised to income on a straight-line basis over the period to maturity. Income from all other interest-bearing securities is recognised on an accrual basis.

5.1.4 Commission and Fee Income

Commission and fee income mainly comprise fees receivable from customers for guarantees and other services provided by the Bank, and fees for foreign and domestic payment tariff. Such income is recognised as revenue at the time the services are provided. Income on the endorsement of bills of exchange is recognised only when the bill is received and either issued or endorsed, and the payment under the particular instrument has been effected.

5.1.5 Dividend Income

Dividend income is recognised when the right to receive payment is established.

5.1.6 Profit/(Loss) from Sale of Property, Plant & Equipment

Profit/loss arising from sale of property, plant & equipment is recognised in the period in which the sale occurs and is classified as other income.

5.1.7 Gains or Losses arising from Investment Securities

Gains or losses arising from the sale of equity shares, units, and financial instruments, including Treasury Bills sold prior to maturity, are accounted for on the date on which the transaction takes place.

5.1.8 Interest Expenses

Interest expenses are recognised on accrual basis.

5.1.9 Operating Expenses

All the expenses payable are recognised on accrual basis in the Income Statement to the period to which they relate.

5.2 Non-Life Insurance Business

5.2.1 Gross Written Premiums

Upon inspection of the contract, premiums are recorded as written and are earned primarily on a pro rata basis over the term of the related policy coverage. However, for those contracts for which the period of risk differs significantly from the contract period, premiums are earned over the period of risk in proportion to the amount of insurance protection provided.

5.2.2 Reinsurance Premium

Premiums ceded to reinsure are recognised as an expense in accordance with the pattern of reinsurance services received. Reinsurance premiums are decided based on rates agreed with reinsurers.

5.2.3 Unearned Premium

The unearned premium reserve represents the portion of the premiums and outward reinsurance premiums written in the current year in respect of risks related to subsequent periods. Unearned premiums are calculated on the 1/24th basis in accordance with the Regulation of Insurance Industry Act No. 43 of 2000.

5.2.4 Unexpired Risk

Provision is made where appropriate for the estimated amount required over and above unearned premiums to meet future claims and related expenses on the business in force as at end of the year.

5.2.5 Net Deferred Acquisition Expenses

Acquisition expenses, representing commissions, which vary with and directly related to the production of business, are deferred and amortised over the period in which the related written premiums are earned. Reinsurance commission is also treated in the same manner within deferred acquisition costs.

5.2.6 Premiums Receivable

According to the Premium Payment Warranty (PPW) ruling by the Insurance Board of Sri Lanka (IBSL), all policies issued and not recovered over 60 days are cancelled.

5.2.7 Reinsurance Receivable

Reinsurance assets include the balances due from both insurance and reinsurance companies for paid and unpaid losses and loss adjustment expenses. Amounts recoverable from reinsurers are estimated in a manner consistent with the claim liability associated with the reinsured policy. Reinsurance is recorded gross in the Balance Sheet unless a right to offset exists.

If a reinsurance asset is impaired, the company reduces the carrying amount accordingly and recognises a loss in the statement of income. A reinsurance asset is impaired if there is objective evidence, as a result of an event that occurred after the initial recognition of the reinsurance asset, that the company may not receive amounts due to it under the terms of their contract, and the event has a reliably measurable impact on the amount that the company will receive from the reinsurer.

5.2.8 Claims

Claims incurred include provisions for the estimated cost of claims and related handling expenses in respect of incidents up to the year end, including those which had not been notified, net of salvage, anticipated reinsurance and other recoveries. 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 claims Incurred But Not Reported (IBNR) is actuarially valued to ensure a more realistic estimation of the future liability based on the past experience and trends. Actuarial valuations are performed on an annual basis.

Whilst the Directors consider that the provision for claims are 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 adjustments 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.

5.3 Life Insurance Business

5.3.1 Gross Written Premiums

Premiums from traditional life insurance contracts, including participating contracts and annuity policies with life contingencies, are recognised as revenue when cash is received from the policyholder. Benefits and expenses are provided against such revenue to recognise profits over the estimated life of the policies.

5.3.2 Reinsurance Premium

Outward reinsurance premiums are recognised when payable. Reinsurance recoveries are credited to match the relevant gross claims.

5.3.3 Benefits, Losses and Expenses

Expenses on the life insurance revenue account relate to the acquisition and maintenance of life insurance business and include investment expenses not treated as a part of the capital cost of investment.

Claims by death and maturity are charged against revenue on notification of death or on expiry of the term.

The interim payments and surrenders are accounted for only at the time of settlement.

5.3.4 Actuarial Valuation for Long-Term Insurance Provision

The Directors agree to the long-term insurance provision for the Company at the year end on the recommendations of the Consultant Actuary following his annual investigation of the life insurance business. The actuarial valuation takes into account all liabilities and is based on assumptions recommended by the Consultant Actuary.

6. COMMITMENTS AND CONTINGENCIES

Contingent liabilities are the 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 Balance Sheet but are disclosed, unless they are remote.

7. SEGMENTAL REPORTING

Segmental information is presented in respect of the Group's business.

Business segments provide products and services whose risks and returns are different from those of other business segments. These segments comprise banking, leasing, treasury and investment, property and insurance.

Geographical segments provide products or services within a particular economic environment where risks and returns are different from those of other economic environments. These segments comprise domestic, off-shore banking units (branches) and off-shore banking division.

8. CASH FLOW AND CASH AND CASH EQUIVALENTS

The cash flow has been prepared by using the 'Direct Method'. Cash and cash equivalents comprise cash, amounts due from other banks and other short-term highly liquid investments with less than 90 days' maturity from date of acquisition.

9. COMPARATIVE FIGURES

Where necessary, amounts shown for the previous year have been reclassified to facilitate comparison.

10. EVENTS AFTER THE BALANCE SHEET DATE

Where necessary, all the material events after the Balance Sheet date have been considered and appropriate adjustments/disclosures have been made in the Financial Statements.

11. DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Directors takes the responsibility for the preparation and presentation of these Financial Statements.

12. NEW ACCOUNTING STANDARDS ISSUED BUT NOT EFFECTIVE AS AT THE BALANCE SHEET DATE

Sri Lanka Accounting Standard No. 44 on Financial Instruments: Presentation and Sri Lanka Accounting Standard No. 45 on 'Financial Instruments': Recognition and Measurement which are applicable to the Financial Statements covering annual periods beginning on or after 01 January 2011, and not yet effective for the period ended December 2009, have not been applied in preparing these consolidated Financial Statements.

These two standards together provide comprehensive guidance on identification, classification, measurements (including Derivatives) into financial assets, financial liabilities and equity instruments.

In order to comply with the requirements of these standards, Bank of Ceylon is in the process of assessing the effect of adoption of the aforesaid two standards. Due to the complex nature of the effects of these standards, the impact of adoption cannot be estimated as at the date of publication of these Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December	Bank 2009 Rs. '000	Bank 2008 Rs. '000	Group 2009 Rs. '000	Group 2008 Rs. '000
1. INCOME				
Interest income (Note 2)	53,076,779	49,683,941	55,279,046	51,592,828
Dividend income (Note 6)	347,878	400,599	150,456	227,418
Net gain from investment in securities	1,961,210	580,938	2,012,436	582,824
Fee and commission income (Note 4)	4,218,506	4,084,349	4,317,004	4,140,850
Foreign exchange profit	1,566,916	2,886,541	1,566,916	2,886,541
Other operating income (Note 8)	789,945	945,596	1,165,478	1,316,381
Recovery of non-performing advances	1,500,132	1,599,847	1,506,205	1,617,122
Share of profit of Associate Companies before tax (Note 14)	–	–	130,653	63,371
	63,461,366	**60,181,811**	**66,128,194**	**62,427,335**

2. INTEREST INCOME				
Customer advances				
Bills of exchange	1,763,957	1,009,529	1,835,221	1,060,551
Loans & advances	34,438,644	32,561,606	34,837,519	32,791,091
Leasing	936,415	1,058,760	2,335,035	2,553,809
Treasury bills, bonds & other eligible bills	13,566,316	12,393,036	13,843,703	12,591,397
Securities purchased under re-sale agreements	682,904	117,592	691,481	117,592
Short term funds	531,376	1,517,778	578,920	1,452,748
Government of Sri Lanka Restructuring Bonds	1,025,640	1,025,640	1,025,640	1,025,640
Government securities	131,527	–	131,527	–
	53,076,779	**49,683,941**	**55,279,046**	**51,592,828**

Interest income of Treasury bills and Treasury bonds has been grossed up by adding a notional tax credit amounting to Rs. 351,925,417/- (2008 - Rs. 19,303,935/-) as detailed in Note 15.6.

For the year ended 31 December	Bank 2009 Rs. '000	Bank 2008 Rs. '000	Group 2009 Rs. '000	Group 2008 Rs. '000
3. INTEREST EXPENSE				
Customer deposits	26,406,994	21,004,075	27,061,880	21,345,938
Securities sold under re-purchase agreements	7,060,149	10,084,876	7,059,146	9,857,372
Debentures	3,112,970	2,342,946	3,358,567	2,589,677
Refinance borrowings	235,300	194,471	235,300	190,027
Other borrowed funds	1,451,461	2,362,440	1,774,928	3,017,602
	38,266,874	**35,988,808**	**39,489,821**	**37,000,616**

4. FEE AND COMMISSION INCOME				
Trade services	2,269,748	2,342,367	2,272,641	2,343,827
Travel & remittances	313,032	270,992	313,032	271,078
Private banking	268,524	312,029	268,524	312,029
Custodial services	17,756	18,762	17,756	18,762
Account services	859,669	698,942	859,669	698,942
Credit cards	342,947	243,312	342,947	243,312
Credit facilities	40,321	61,603	40,321	61,603
Brokering services	65,527	82,300	65,718	95,563
Others	40,982	54,042	136,396	95,734
	4,218,506	**4,084,349**	**4,317,004**	**4,140,850**

For the year ended 31 December		Bank 2009 Rs. '000	Bank 2008 Rs. '000	Group 2009 Rs. '000	Group 2008 Rs. '000
5. FEE AND COMMISSION EXPENSES					
Brokering services		153,012	269,292	153,012	269,292
Credit cards		180,592	154,999	180,592	154,999
Fees		178,039	183,927	182,749	189,988
Others		20,314	20,973	21,686	22,815
		531,957	**629,191**	**538,039**	**637,094**
6. DIVIDEND INCOME					
Subsidiaries	-Quoted	172,657	172,550	–	–
	-Unquoted	22,140	2,250	–	–
Associates	-Unquoted	4,675	4,014	–	–
Investment securities held to maturity	-Quoted	55,252	49,113	55,252	49,114
	-Unquoted	24,457	14,839	25,649	15,231
Dealing securities held for trading	-Quoted	19,473	65,582	20,333	70,822
Income from Unit Trust		49,224	92,251	49,222	92,251
		347,878	**400,599**	**150,456**	**227,418**
7. NET GAINS FROM INVESTMENT IN SECURITIES					
Gains/(losses) on mark to market valuation on securities held for trading					
	- Shares	164,076	120,177	181,019	120,177
	- Treasury bills & bonds	363,630	91,342	397,913	91,342
Capital gains/(losses) on sale of securities held for trading					
	- Shares	651,881	233,508	651,881	235,394
	- Treasury bills & bonds	781,623	135,911	781,623	135,911
		1,961,210	**580,938**	**2,012,436**	**582,824**
8. OTHER OPERATING INCOME					
Profit/(loss) on sale of property, plant & equipment including foreclosed properties		98,371	260,780	111,975	277,038
Other income		691,574	684,816	1,053,503	1,039,343
		789,945	**945,596**	**1,165,478**	**1,316,381**
9. PERSONNEL COSTS					
Staff emoluments		6,992,726	5,978,497	7,313,945	6,229,327
Employers' contribution to defined contribution plans					
	- Employees' Provident Fund	513,648	463,187	547,729	487,172
	- Employees' Trust Fund	128,002	115,138	136,002	120,829
Other personnel cost		473,399	421,109	574,654	449,268
		8,107,775	**6,977,931**	**8,572,330**	**7,286,596**

The number of persons employed by the Bank as at 31 December 2009 was 7,538 (7,912 as at 31 December 2008).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December	Bank 2009 Rs. '000	Bank 2008 Rs. '000	Group 2009 Rs. '000	Group 2008 Rs. '000
10. STAFF RETIREMENT BENEFITS				
Employers' contribution to defined benefit plans				
Bank of Ceylon Pension Trust Fund	1,883,403	1,755,278	1,883,403	1,755,278
Bank of Ceylon Widows'/Widowers' and Orphans' Pension Fund	456,000	456,000	456,000	456,000
Provision for terminal gratuity	70,228	83,322	88,064	109,705
	2,409,631	**2,294,600**	**2,427,467**	**2,320,983**

The Bank has a pension scheme established under an Industrial Award which is solely funded by the Bank. There is also a Widows'/Widowers' and Orphans' pension scheme established by the members. Both these funds have been closed to new entrants as from 01 January 1996.

The assets of these two 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.

Both funds are subject to annual audits independent of 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.

(1) Bank of Ceylon Pension Trust Fund

(a) An actuarial valuation of the pension fund as at 31 December 2009 was carried out by Messrs K A Pandit - Consultants & Actuaries of Mumbai, India, a firm of professional actuaries.

The valuation has been done using the 'Projected Unit Credit Method', which is recommended in the Sri Lanka Accounting Standard No. 16 (Revised 2006) - 'Employee Benefits'.

The results of the actuarial valuation of the pension fund is summarised as follows:

	Current valuation 31.12.2009 Rs. '000	Previous valuation 31.12.2007 Rs. '000
Present value of funded obligations	38,377,130	31,700,000
Fair value of plan assets	(39,843,170)	(30,140,000)
Present value of net obligations	**(1,466,040)**	**1,560,000**

The Bank currently contributes at 56.76% of gross salaries of employees who have joined the Bank prior to 01 January 1996, in terms of a previous actuarial valuation.

The deficit of Rs. 1.56 billion in the previous valuation (as at 31 December 2007) has now become a surplus of Rs. 1.47 billion. Accordingly, the funded ratio has improved from 95.09% to 103.82%.

(b) Movement in the present value of defined benefit obligations

	2009 Rs. '000
Liability for defined benefit obligation at the beginning of the year	33,111,760
Interest cost	3,973,410
Current service cost	622,180
Benefit paid by the plan	(2,333,330)
Actuarial (gain)/loss on obligation	3,003,110
Liability at the end of the year	**38,377,130**

As at 31 December	2009 Rs. '000
10. STAFF RETIREMENT BENEFITS *(CONTD.)*	
(c) Plan assets	
Bonds & securities issued by Government of Sri Lanka	13,099,040
Debentures issued by corporates	5,500,000
Investment in equity shares	3,182,390
Fixed deposits	14,620,000
Other investments	732,585
Other receivable	2,709,155
	39,843,170

(d) Movement in plan assets	
Fair value of plan assets at the beginning of the year	33,111,760
Expected return on plan assets	3,969,257
Contribution paid into plan	1,883,403
Benefits paid by the plan	(2,333,330)
Actuarial gain/(loss) on plan assets	3,212,080
Fair value of plan assets at the end of the year	**39,843,170**

	2009
(e) Actuarial assumptions	
Future salary increase	6.5% p.a.
Increase in future Cost of Living Allowance (COLA)	6.0% p.a.
Increase in pension in payment (Basic)	Nil
Rate of discounting	10.0% p.a.
Rate of return on plan assets	10.0% p.a.
Attrition rate	0.4% p.a.

(2) Bank of Ceylon Widows'/Widowers' and Orphans' Pension Fund

(a) An actuarial valuation of the pension fund as at 31 December 2009 was carried out by Messrs K A Pandit - Consultants & Actuaries of Mumbai, India, a firm of professional actuaries.

The valuation has been done using the 'Projected Unit Credit Method', which is recommended in the Sri Lanka Accounting Standard No. 16 (Revised 2006) - 'Employee Benefits'.

The results of the actuarial valuation of the W/W & O Pension Fund is summarised as follows:

	Current valuation 31.12.2009 Rs. '000	Previous valuation 31.12.2007 Rs. '000
Present value of funded obligations	9,515,950	7,390,000
Fair value of plan assets	(9,035,020)	(6,000,000)
Present value of net obligations	**480,930**	**1,390,000**

The deficit of Rs. 1.39 billion in the previous actuarial valuation (as at 31 December 2007) has now been reduced to Rs. 481 million. Accordingly, the funded ratio has also improved from 81.13% to 94.95%.

In order to fund the deficit:

(i) Bank has contributed a sum of Rs. 456 million to the Fund in 2009 (2008 - Rs. 456 million).

(ii) Members' contribution has been increased to 8% on gross salary.

10. STAFF RETIREMENT BENEFITS *(CONTD.)*

(b) Movement in the present value of defined benefit obligations

	2009 Rs. '000
Liability for defined benefit obligation at the beginning of the year	7,394,320
Interest cost	887,320
Benefit paid by the plan	(313,950)
Actuarial (gain)/loss on obligation	1,548,260
Liability at the end of the year	**9,515,950**

As at 31 December	2009 Rs. '000
(c) Plan assets	
Bonds & securities issued by Government of Sri Lanka	1,304,550
Debentures	2,050,000
Other receivable	5,680,470
	9,035,020

(d) Movement in plan assets

Fair value of plan assets at the beginning of the year	7,394,320
Expected return on plan assets	887,320
Contribution paid by members	244,450
Special contribution paid by the Bank	456,000
Benefits paid by the plan	(313,950)
Actuarial gain/(loss) on plan assets	366,880
Fair value of plan assets at the end of the year	**9,035,020**

	2009
(e) Actuarial assumptions	
Future salary increase	6.5% p.a.
Increase in future Cost of Living Allowance (COLA)	6.0% p.a.
Increase in widows'/widowers' and orphans' pension in payment (Basic)	Nil
Rate of discounting	10.0% p.a.
Rate of return on plan assets	10.0% p.a.
Attrition rate	0.4% p.a.

(3) Gratuity Fund

Provision is made to meet the Bank's obligation to pay gratuity in terms of the Payment of Gratuity Act No. 12 of 1983, to all those employees who have joined after 01 January 1996. Provision also includes those who have joined the Bank prior to 01 January 1996 and leave the Bank without being entitled to a pension. The probability of early withdrawal has been considered as 1% in the case of those joined after 01 January 1996 and 0.4% in the case of others by the actuaries based on the historical data.

An actuarial valuation of the pension fund as at 31 December 2009 was carried out by Messrs K A Pandit - Consultants & Actuaries of Mumbai, India, a firm of professional actuaries.

The valuation has been done using the 'Projected Unit Credit Method', which is recommended in the Sri Lanka Accounting Standard No. 16 (Revised 2006) 'Employee Benefits'.

The results of the actuarial valuation of the gratuity fund indicate that the present value of the obligation is Rs. 167.95 million as at 31 December 2009 (2008 - Rs. 177.85 million). The provision made by the Bank is adequate to meet its gratuity obligations in full.

10. STAFF RETIREMENT BENEFITS *(CONTD.)*

The principal actuarial assumptions used in the valuation were as follows:

	2009	2008
(a) Actuarial assumptions		
Future salary increase	6.5% p.a.	8.0% p.a.
Increase in future Cost of Living Allowance (COLA)	6.0% p.a.	10.0% p.a.
Increase in gratuity in payment (Basic)	Nil	Nil
Rate of discounting	10.0% p.a.	12.0% p.a.
Rate of return on plan assets	10.0% p.a.	10.0% p.a.
Attrition rate	1% & 0.4%	1%

For the year ended 31 December	Bank 2009 Rs. '000	Bank 2008 Rs. '000	Group 2009 Rs. '000	Group 2008 Rs. '000
11. PREMISES, EQUIPMENT & ESTABLISHMENT AND OTHER OPERATING EXPENSES				
Premises, equipment & establishment and other operating expenses include the following:				
Directors' emoluments	1,707	1,571	12,031	6,647
Auditors' remuneration	21,194	21,070	24,023	22,738
Depreciation on property, plant & equipment (Note 29)	686,428	568,452	790,745	655,809
Depreciation on investment properties (Note 25)	–	–	3,060	1,024
Amortisation of leasehold land (Note 30)	1,095	102	2,452	1,459
Amortisation of intangible assets (Note 31)	185,473	186,362	189,860	188,819
Professional expenses	52,386	35,101	74,924	36,612
Legal expenses	24,636	25,039	32,528	32,932
Donations	21	8	370	598
12. PROVISION FOR LOAN LOSSES				
Specific provision for loans and advances	1,340,832	1,647,353	1,245,527	1,652,644
Specific provision for pawning advances	47,725	39,157	47,725	39,157
Specific provision for credit card receivable	24,080	14,443	24,080	14,443
	1,412,637	1,700,953	1,317,332	1,706,244
Specific provision for leasing facilities	192,126	147,306	376,613	248,118
Specific provision for bills of exchange	197,954	7,063	198,864	6,063
	1,802,717	1,855,322	1,892,809	1,960,425
General provision made for regular advances	(556)	410,170	8,878	414,969
General provision for leasing facilities	(334)	17,777	(8,682)	18,130
General provision for bills of exchange	(122)	90,387	1,972	89,913
	(1,012)	518,334	2,168	523,012
	1,801,705	**2,373,656**	**1,894,977**	**2,483,437**
13. PROVISION/(REVERSAL) FOR FALL IN VALUE OF INVESTMENT AND DEALING SECURITIES				
Dealing securities	–	–	(46,579)	26,928
Investment securities	–	–	(2,426)	(32,000)
Subsidiaries and Associates	–	1,030	–	–
	–	**1,030**	**(49,005)**	**(5,072)**
14. SHARE OF PROFIT OF ASSOCIATE COMPANIES BEFORE TAX				
Unit Trust Management Company (Private) Limited	–	–	6,215	4,919
Lanka Securities (Private) Limited	–	–	41,773	23,878
Mireka Capital Land (Private) Limited	–	–	42,626	36,460
Transnational Lanka Records Solutions (Private) Limited	–	–	4,885	(1,197)
Southern Development Financial Company Limited	–	–	(722)	(689)
MBSL Savings Bank Limited	–	–	35,876	–
	–	**–**	**130,653**	**63,371**

For the year ended 31 December	Bank 2009 Rs. '000	Bank 2008 Rs. '000	Group 2009 Rs. '000	Group 2008 Rs. '000
15. INCOME TAX EXPENSE				
The break up of income tax expense is as follows:				
15.1 Bank				
Domestic branch operations				
Income tax on profit of domestic operations of the Bank	146,718	509,720	146,718	509,720
Off-shore Banking Division (OBD)				
Income tax on profits of on-shore operations of OBD	984,383	950,434	984,383	950,434
Income tax on profits of off-shore operations of OBD	54,719	108,588	54,719	108,588
Overseas branch operations				
Income tax on profits of the branch in Maldives	97,572	83,411	97,572	83,411
Income tax on profits of the branch in Chennai	102,526	173,645	102,526	173,645
(Over)/under provision for taxation in respect of prior years	(165,199)	(286,343)	(155,464)	(303,419)
	1,220,719	**1,539,455**	**1,230,454**	**1,522,379**
15.2 Subsidiary Companies				
Income tax on profit of:				
Property Development PLC	–	–	178,696	195,304
Merchant Bank of Sri Lanka PLC	–	–	63,770	47,438
BOC Management & Support Services (Private) Limited	–	–	193	101
BOC Property Development & Management (Private) Limited	–	–	11,870	13,948
BOC Travels (Private) Limited	–	–	4,543	5,374
Hotels Colombo (1963) Limited	–	–	206	3
Merchant Credit of Sri Lanka Limited	–	–	15,722	6,572
Ceylease Financial Services Limited	–	–	1,152	4,260
Ceybank Holiday Homes (Private) Limited	–	–	837	36
	–	**–**	**276,989**	**273,036**
15.3 Associate Companies				
Share of income tax on profit of:				
Lanka Securities (Private) Limited	–	–	15,914	11,769
Mireka Capital Land (Private) Limited	–	–	11	3,485
Southern Development Financial Company Limited	–	–	175	153
Transnational Lanka Record Solutions (Private) Limited	–	–	865	–
Unit Trust Management Company (Private) Limited	–	–	4,144	2,016
	–	**–**	**21,109**	**17,423**
Deferred tax (released)/charged (Note 36)	(97,078)	130,171	(125,565)	103,074
	1,123,641	**1,669,626**	**1,402,987**	**1,915,912**

15.4 The tax liability on taxable income has been computed at the following rates:

For the year ended 31 December	2009 %	2008 %
Income of Domestic Banking Unit	35	35
On-shore income of the Off-shore Banking Division	35	35
Off-shore income of the Off-shore Banking Division	20	20
Income of the branch in Maldives	25	25
Income of the branch in Chennai	40	40
Income of Subsidiaries & Associates - Quoted	35	35
Income of Subsidiaries & Associates - Unquoted	35	35

15. INCOME TAX EXPENSE *(CONTD.)*

15.5 The tax on profit before tax differs from the theoretical amount that would arise using the basic tax rate as follows:

For the year ended 31 December	Bank 2009 Rs. '000	Bank 2008 Rs. '000	Group 2009 Rs. '000	Group 2008 Rs. '000
Profit before tax	4,207,647	5,230,607	4,719,910	5,864,711
Prima facie tax calculated at a rate of 35%	1,472,676	1,830,712	1,651,969	2,052,649
Effect of different tax rates in other countries	200,098	257,056	200,098	257,056
Income not assessable for tax	(3,166,183)	(2,664,849)	(3,889,160)	(2,770,480)
Expenses not deductible for tax purposes	2,879,327	2,402,879	3,730,843	2,559,956
Deferred tax assets (released)/charged	(97,078)	130,171	(125,565)	103,074
(Over)/Under provision in respect of previous years	(165,199)	(286,343)	(155,464)	(286,343)
Provision for taxation	**1,123,641**	**1,669,626**	**1,402,987**	**1,915,912**
Effective tax rate (%)	26.70	31.92	29.72	32.67

15.6 Notional credit for withholding tax on Government securities on secondary market transactions

In terms of the provisions of Section 137 of the Inland Revenue Act No. 10 of 2006, Bank is entitled to a notional tax credit for the interest income from the secondary market transactions in Government securities, subject to such interest income forming part of the statutory income of the Bank for that year of assessment.

Accordingly, the net income earned by the Bank from the secondary market transactions in Government securities has been grossed up. The resulting notional tax credit amounting to Rs. 351,925,417/- has been recognised as an income in the Financial Statements for the year ended 31 December 2009 (2008 - Rs. 19,303,935/-).

16. EARNINGS PER SHARE AND DIVIDEND PER SHARE

Earnings Per Share

Basic earnings per share is calculated by dividing the net profit attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year.

Dividend Per Share

Dividend per share is calculated by dividing the total profit distributed to shareholders by the weighted average number of ordinary shares in issue during the year.

For the year ended 31 December	Bank 2009	Bank 2008	Group 2009	Group 2008
Net profit attributable to ordinary shareholders (Rs. '000)	3,084,006	3,560,981	3,299,873	3,870,381
Dividend paid during the year (Rs. '000)	1,346,410	846,410	1,346,410	846,410
Number of ordinary shares in issue	5,000,000	5,000,000	5,000,000	5,000,000
Basic earnings per share (Rs.)	**616.80**	**712.20**	**659.97**	**774.08**
Dividend per share (Rs.)	**269.28**	**169.28**	**269.28**	**169.28**

16.1 Dividends

Under the agreement between the Bank and the Government of Sri Lanka, on re-capitalising and granting of autonomy to the Bank of Ceylon, the Government reserves the option of the level of profit after tax retained by the Bank.

All profits after deduction of tax, loan loss provision and any such portion for reserves, if any, as the Government shall determine, will be issued as dividends to the Government at the end of each year.

Accordingly, a sum of Rs. 1,346 million has been paid by the Bank as dividends during the year (2008 - Rs. 846 million).

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December	Bank 2009 Rs. '000	Bank 2008 Rs. '000	Group 2009 Rs. '000	Group 2008 Rs. '000
17. CASH AND SHORT TERM FUNDS				
Coins, notes held in local currency	7,241,555	6,309,876	7,261,393	6,447,964
Coins, notes held in foreign currency	763,214	505,922	763,214	505,922
Balances with other banks	5,504,083	3,351,849	5,492,647	3,260,665
	13,508,852	**10,167,647**	**13,517,254**	**10,214,551**
18. BALANCES WITH CENTRAL BANKS				
Central Bank of Sri Lanka (Note 18.1)	13,910,808	13,845,590	13,910,808	13,845,590
Reserve Bank of India (Note 18.2)	615,333	59,503	615,333	59,503
Maldives Monetary Authority (Note 18.3)	1,737,327	1,723,987	1,737,327	1,723,987
	16,263,468	**15,629,080**	**16,263,468**	**15,629,080**

18.1 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 the Central Bank of Sri Lanka. The minimum cash reserve required to be maintained at the Central Bank of Sri Lanka as at 31 December 2009 was 7.00% (2008 - 7.75%) of Sri Lanka Rupee deposit liabilities. There is no reserve requirement for foreign currency deposit liabilities maintained by domestic branches and the deposit liability of the Off-shore Banking Division in Sri Lanka (2008 - Nil).

18.2 Section 42 (1) of the Reserve Bank of India (RBI) Act of 1934, requires that the branch in Chennai maintains a cash reserve of 5.5% (31 December 2008 - 5.5%) with the Reserve Bank of India, being the minimum cash reserve requirement, as at 31 December 2009 on its demand and term deposits liabilities.

18.3 Regulations issued by Maldives Monetary Authority (MMA), requires that 50% of minimum required capital of the branch in Maldives be maintained in a deposit with MMA (2008 - 50%). In addition, a reserve of 25% on the deposit liability (2008 - 25%) should also be maintained with the MMA.

As at 31 December	Bank 2009 Rs. '000	Bank 2008 Rs. '000	Group 2009 Rs. '000	Group 2008 Rs. '000
19. TREASURY BILLS, BONDS AND OTHER ELIGIBLE BILLS				
Gross treasury bills & bonds held for trading	14,576,408	21,892,704	15,529,297	22,372,608
Gain/(loss) on marking to market valuation	44,075	(164,733)	44,075	(164,733)
Net treasury bills & bonds held for trading	14,620,483	21,727,971	15,573,372	22,207,875
Treasury bills, bonds & other eligible bills held to maturity	14,114,913	4,219,492	14,114,913	4,219,492
	28,735,396	**25,947,463**	**29,688,285**	**26,427,367**

Treasury bills, bonds and other eligible bills are debt securities issued by the Government of Sri Lanka and the respective Government authorities where the overseas branches are located. These bills and bonds that have been classified under this note mature within a period of less than twelve months.

The details of the treasury bills & bonds that have been pledged as security for liabilities at the year end are disclosed in Note 44.

As at 31 December	Bank					
	2009			2008		
	No. of ordinary shares	Market price per share Rs.	Carrying value Rs. '000	No. of ordinary shares	Market price per share Rs.	Carrying value Rs. '000
20. DEALING SECURITIES						
Listed equity securities						
Banking, Finance and Insurance						
Capital Development & Investment Company PLC	–	–	–	300	75.25	22
Central Finance Company PLC	66,500	317.50	21,114	27,500	165.00	4,538
Ceylon Investment PLC	17,600	247.50	4,356	–	–	–
Commercial Bank of Ceylon PLC	2,208,945	189.50	418,595	322,845	67.00	21,631
DFCC Bank	315,900	167.00	52,755	200	53.00	10
Hatton National Bank PLC	2,665,200	170.25	453,750	3,600	69.75	251
HDFC Bank of Sri Lanka	90,900	147.75	13,431	90,900	56.00	5,090
Lanka ORIX Leasing Company PLC	76,400	137.00	10,467	–	–	–
Nations Trust Bank PLC	–	–	–	100,000	22.25	2,225
Sampath Bank PLC	–	–	–	27,300	68.00	1,856
			974,468			35,623
Diversified Holdings						
Aitken Spence PLC	36,100	1,325.00	47,833	–	–	–
Ceylon Theatres PLC	100,000	54.00	5,400	–	–	–
Hayleys PLC	63,700	171.75	10,941	1,800	86.00	155
Hemas Holdings PLC	1,031,000	122.75	126,555	38,800	55.25	2,144
John Keells Holdings PLC	90,084	171.50	15,449	405,684	50.00	20,284
			206,178			22,583
Manufacturing						
ACL Cables PLC	94,400	76.25	7,245	131,400	30.00	3,942
Dipped Products PLC	24,900	86.00	2,141	39,900	56.75	2,264
Lanka Cement PLC	9,583,809	23.25	222,824	9,583,809	6.25	59,899
Lanka Tiles PLC	74,800	66.50	4,974	–	–	–
Lanka Walltiles PLC	273,400	57.25	15,652	–	–	–
Piramal Glass Ceylon PLC	4,021,200	2.20	8,847	–	–	–
Royal Ceramics Lanka PLC	348,200	66.50	23,155	42,700	28.00	1,196
Tokyo Cement Lanka PLC	506,300	322.25	163,155	3,000	192.00	576
			447,993			67,877
Hotels & Travels						
Asian Hotels & Properties PLC	363,400	94.50	34,341	65,000	24.75	1,609
Hotel Services (Ceylon) PLC	600,000	19.00	11,400	–	–	–
John Keells Hotels PLC	369,200	22.50	8,307	–	–	–
Kandy Hotels Corporation (1938) PLC	10,000	113.25	1,133	–	–	–
Trans Asia Hotels PLC	100,000	174.25	17,425	–	–	–
			72,606			1,609
Power & Energy						
Chevron Lubricants Lanka PLC	–	–	–	1,400	92.00	129
Hemas Power PLC	1,285,100	19.50	25,059	–	–	–
Lanka IOC PLC	283,300	17.25	4,887	290,700	15.25	4,433
			29,946			4,562
Services						
Dialog Telekom PLC	–	–	–	28,700	6.00	172
Sri Lanka Telecom PLC	214,000	46.00	9,844	214,000	31.00	6,634
			9,844			6,806

As at 31 December	Bank					
	2009			2008		
	No. of ordinary shares	Market price per share Rs.	Carrying value Rs. '000	No. of ordinary shares	Market price per share Rs.	Carrying value Rs. '000
20. DEALING SECURITIES *(CONTD.)*						
Listed equity securities						
Motors						
Associated Motorways PLC	–	–	–	41,900	174.50	1,393
United Motors Lanka PLC	18,000	64.25	1,157	–	–	–
			1,157			1,393
Plantations						
Kegalle Plantations PLC	64,500	33.50	2,161	14,500	28.00	406
Malwatte Plantations PLC	8,000	33.00	264	–	–	–
			2,425			406
Health Care						
Asiri Hospitals PLC	100,000	10.25	1,025	–	–	–
Asiri Surgical Hospital PLC	179,200	11.00	1,971	–	–	–
Ceylon Hospitals PLC	10,472	80.25	840	9,600	44.75	430
The Lanka Hospitals Corporation PLC	67,000	19.00	1,273	–	–	–
			5,109			430
Beverage, Food & Tobacco						
Cargills (Ceylon) PLC	30,000	65.25	1,958	–	–	–
Lanka Milk Foods (CWE) PLC	–	–	–	1,000	31.75	32
			1,958			32
Chemical & Pharmaceuticals						
Chemical Industries (Colombo) PLC	1,185,300	63.00	74,674	80,600	28.75	2,317
			74,674			2,317
Construction & Engineering						
Colombo Dockyard PLC	75	244.75	18	1,575	50.00	79
			18			79
Investment Trust						
Renuka Holdings PLC	11,000	135.75	1,493	–	–	–
			1,493			–
Total dealing securities			**1,827,869**			**143,717**

As at 31 December	Group					
	2009			2008		
	No. of ordinary shares	Market price per share Rs.	Carrying value Rs. '000	No. of ordinary shares	Market price per share Rs.	Carrying value Rs. '000
20. DEALING SECURITIES *(CONTD.)*						
Listed equity securities						
Banking, Finance and Insurance						
Capital Development & Investment Company PLC	–	–	–	300	75.25	22
Central Finance Company PLC	68,500	317.50	21,733	27,500	165.00	4,538
Ceylon Investment PLC	17,635	247.50	4,362	–	–	–
Commercial Bank of Ceylon PLC - Non Voting	–	–	–	69,300	48.00	6,213
Commercial Bank of Ceylon PLC	2,219,945	189.50	420,449	329,645	67.00	22,589
DFCC Bank	415,900	167.00	68,120	77,300	53.00	12,143
Hatton National Bank PLC	2,699,100	170.25	458,791	3,600	69.75	251
Hatton National Bank PLC - Non Voting	–	–	–	20,000	32.00	1,119
HDFC Bank PLC	90,900	147.75	13,431	90,900	56.00	5,090
Janashakthi Insurance Company PLC	205,000	9.50	2,460	885,000	5.75	10,620
Lanka Orix Leasing Company PLC	101,800	137.00	13,406	–	–	–
Lanka Ventures PLC	40,000	18.00	566	–	–	–
National Development Bank PLC	31,000	206.00	4,811	20,000	86.00	4,403
Nations Trust Bank PLC	160,000	36.50	4,275	100,000	22.25	2,225
Pan Asia Banking Corporation PLC	68,000	20.00	1,144	20,000	10.25	256
Sampath Bank PLC	10,000	204.00	1,736	27,300	68.00	1,856
Seylan Bank PLC	–	–	–	200,000	28.50	2,607
			1,015,284			73,932
Beverage, Food & Tobacco						
Bairaha Farms PLC	–	–	–	45,900	8.00	770
Cargills (Ceylon) PLC	35,000	65.25	2,269	–	–	–
Ceylon Tobacco Company PLC	10,000	185.00	1,784	–	–	–
Coco Lanka PLC	10,000	48.50	397	–	–	–
Distilleries Company of Sri Lanka PLC	129,800	105.25	13,437	42,500	50.50	4,731
Kotmale Holdings PLC	50,000	16.00	837	–	–	–
Lanka Milk Foods (CWE) PLC	22,000	64.00	1,428	11,000	31.75	519
Nestle Lanka PLC	1,000	415.00	329	–	–	–
Renuka Agri Foods LTD	1,350,200	3.30	3,038	–	–	–
The Lion Brewery (Ceylon) PLC	5,000	81.00	422	–	–	–
			23,941			6,020
Diversified Holdings						
Aitken Spence PLC	36,100	1,325.00	47,833	–	–	–
Ceylon Theatres PLC	100,000	54.00	5,400	–	–	–
Hayleys PLC	78,700	171.75	13,435	7,800	86.00	996
Hemas Holdings PLC	1,031,000	122.75	126,555	38,800	55.25	2,144
John Keells Holdings PLC	165,110	171.50	26,121	539,276	50.00	32,561
Kshatriya Holdings PLC	–	–	–	2,200	3.00	20
The Colombo Fort Land & Building Company PLC	15,000	31.50	441	–	–	–
Richard Pieris & Company PLC	150,000	39.00	5,655	12,425	22.50	966
The Bukit Darah PLC	–	–	–	200	610.00	383
			225,440			37,070

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December	Group 2009 No. of ordinary shares	2009 Market price per share Rs.	2009 Carrying value Rs. '000	2008 No. of ordinary shares	2008 Market price per share Rs.	2008 Carrying value Rs. '000
20. DEALING SECURITIES *(CONTD.)*						
Manufacturing						
ACL Cables PLC	120,900	76.25	9,116	141,400	30.00	4,685
ACL Plastics PLC	5,000	74.00	329	11,100	27.50	420
Ceylon Grain Elevators PLC	40,000	14.25	563	10,000	6.50	148
Dipped Products PLC	38,400	86.00	3,413	39,900	56.75	2,264
Lanka Cement PLC	9,638,809	23.25	224,802	9,583,809	6.25	59,899
Lanka Tiles PLC	89,800	66.50	5,708	–	–	–
Lanka Walltiles PLC	294,600	57.25	16,625	–	–	–
Pelwatta Sugar Industries PLC	–	–	–	5,500	10.75	226
Piramal Glass Ceylon PLC	4,021,200	2.20	8,847	–	–	–
Richard Pieris Exports PLC	5,000	28.00	129	–	–	–
Royal Ceramics Lanka PLC	388,200	66.50	25,006	56,400	28.00	1,835
Tokyo Cement Company (Lanka) PLC	556,300	322.25	164,024	33,000	192.00	1,174
			458,562			70,651
Hotels & Travels						
Asian Hotel & Properties PLC	393,400	94.50	36,422	105,000	24.75	3,863
Ceylon Hotels Corporation PLC	25,100	23.75	665	100	9.50	1
Eden Hotel Lanka PLC	665,100	26.00	17,377	–	–	–
Galadari Hotels (Lanka) PLC	31,600	15.00	499	–	–	–
Hotel Developers (Lanka) PLC	3,000	118.00	411	–	–	–
Hotel Reefcomber PLC	23,100	2.10	52	–	–	–
Hotel Services (Ceylon) PLC	7,080,750	19.00	118,504	–	–	–
John Keells Hotels PLC	429,000	22.50	9,101	34,800	5.00	293
Kandy Hotels Corporation (1938) PLC	10,000	113.25	1,133	–	–	–
Marawila Resorts PLC	915,900	5.75	6,012	–	–	–
Riverina Hotels PLC	42,200	68.00	2,865	5,000	28.50	228
Serendib Hotels PLC	94,700	39.25	4,015	–	–	–
Stafford Hotels PLC	41,600	28.00	1,120	8,200	9.00	108
Taj Lanka Hotels PLC	4,600	23.50	107	–	–	–
Tangerine Beach Hotels PLC	10,000	66.00	707	–	–	–
The Fortress Resorts PLC	70,000	12.25	891	14,900	4.30	112
Trans Asia Hotels PLC	100,000	174.25	17,425	–	–	–
			217,306			4,605
Power & Energy						
Chevron Lubricants Lanka PLC	12,200	142.00	1,443	22,200	92.00	2,373
Hemas Power PLC	1,344,700	19.50	26,375	–	–	–
Lanka IOC PLC	295,800	17.25	5,115	312,700	15.25	5,056
Vallibel Power Erathna PLC	–	–	–	4,450,000	3.30	11,863
			32,933			19,292
Services						
Dialog Telekom PLC	310,000	7.25	4,643	31,340	6.00	12,018
John Keells PLC	23,700	153.00	3,578	–	–	–
Sri Lanka Telecom PLC	238,900	46.00	10,980	234,200	31.00	7,336
			19,201			19,354

As at 31 December	Group					
	2009			2008		
	No. of ordinary shares	Market price per share Rs.	Carrying value Rs. '000	No. of ordinary shares	Market price per share Rs.	Carrying value Rs. '000
20. DEALING SECURITIES *(CONTD.)*						
Motors						
Associated Motorways PLC	–	–	–	41,900	174.50	1,393
Diesel & Motor Engineering PLC	–	–	–	6,022	62.00	706
United Motors Lanka PLC	18,000	64.25	1,157	–	–	–
			1,157			2,099
Plantations						
Agalawatte Plantations PLC	10,000	21.75	238	–	–	–
Balangoda Plantations PLC	–	–	–	10,000	12.00	426
Kahawatte Plantations PLC	198,100	31.00	6,218	–	–	–
Kegalle Plantations PLC	69,500	33.50	2,332	14,500	28.00	406
Kotagala Plantations PLC	–	–	–	10,000	17.00	680
Madulsima Plantations PLC	–	–	–	–	–	–
Malwatte Plantations PLC	8,000	33.00	264	–	–	–
Maskeliya Plantations PLC	10,200	18.50	211	–	–	–
			9,263			1,512
Health Care						
Asiri Hospitals PLC	120,000	10.25	1,197	–	–	–
Asiri Surgical Hospital PLC	179,200	11.00	1,971	–	–	–
Ceylon Hospitals PLC	10,472	80.25	840	9,600	44.75	430
Nawaloka Hospitals PLC	200,000	3.10	623	209,900	1.80	649
The Lanka Hospitals Corporation PLC	67,000	19.00	1,273	68,829	12.00	214,651
			5,904			215,730
Land & Property						
Seylan Developments PLC	–	–	–	10,000	4.50	91
City Housing & Real Estate Co. PLC	10,000	21.25	346	–	–	–
Colombo Land & Development Company PLC	65,000	6.50	390	175,000	3.60	804
CT Land Development PLC	51,100	21.50	1,174	–	–	–
Overseas Realty (Ceylon) PLC	40,000	15.50	543	–	–	–
			2,453			895
Construction & Engineering						
Colombo Dockyard PLC	11,475	244.75	2,061	1,575	50.00	79
			2,061			79
Footwear & Textile						
Management Knitting Mills PLC	834,100	35.00	29,994	–	–	–
			29,994			–
Information Technology						
E-Channelling PLC	20,000	9.75	237	–	–	–
			237			–

As at 31 December	Group 2009 No. of ordinary shares	2009 Market price per share Rs.	2009 Carrying value Rs. '000	2008 No. of ordinary shares	2008 Market price per share Rs.	2008 Carrying value Rs. '000
20. DEALING SECURITIES *(CONTD.)*						
Trading						
Brown and Company PLC	22,900	74.50	1,347	–	–	–
C W Mackie & Company PLC	25,000	36.00	834	–	–	–
Tess Agro PLC	175,000	1.60	327	–	–	–
			2,508			–
Investment Trust						
Renuka Holdings PLC	11,000	135.75	1,493	–	–	–
			1,493			–
Chemical & Pharmaceuticals						
Chemical Industries (Colombo) PLC	1,395,600	63.00	85,734	154,600	28.75	5,973
Chemical Industries (Colombo) PLC - Non Voting	–	–	–	55,800	19.75	2,023
Lankem Ceylon PLC	96,400	44.75	3,912	–	–	–
			89,646			7,996
			2,137,383			459,235
Provision for fall in value			–			(46,579)
Total dealing securities			**2,137,383**			**412,656**

As at 31 December	Bank 2009 Rs. '000	Bank 2008 Rs. '000	Group 2009 Rs. '000	Group 2008 Rs. '000
21. PLACEMENTS WITH AND LOANS TO OTHER BANKS				
Placements with banks in Sri Lanka				
- Sri Lanka rupee placements	770,000	–	790,000	10,000
- Foreign currency placements	762,152	1,423,500	762,152	1,423,500
Placements with banks abroad				
- Foreign currency placements	44,334,915	14,979,841	44,334,915	14,979,841
	45,867,067	**16,403,341**	**45,887,067**	**16,413,341**
22. LOANS AND ADVANCES TO CUSTOMERS				
22.1 Bills of exchange				
Export bills	4,269,855	5,058,092	4,269,855	5,058,092
Import bills	11,828,675	11,849,633	11,828,675	11,849,633
Local bills	–	–	469,951	349,922
	16,098,530	16,907,725	16,568,481	17,257,647
Specific provision for bills of exchange [Note 22.1 (b)]	(150,371)	(281,682)	(164,363)	(294,764)
General provision for bills of exchange [Note 22.1 (c)]	(145,718)	(145,840)	(155,102)	(153,130)
Interest in suspense [Note 22.1 (d)]	(548,125)	(553,961)	(548,125)	(553,961)
Net bills of exchange	**15,254,316**	**15,926,242**	**15,700,891**	**16,255,792**
22.1 (a) Analysis of net bills of exchange				
Not later than 3 months	14,567,001	15,774,583	15,013,347	16,104,192
Later than 3 months and not later than 12 months	687,315	151,659	687,544	151,600
	15,254,316	**15,926,242**	**15,700,891**	**16,255,792**

For the year ended 31 December	Bank 2009 Rs. '000	Bank 2008 Rs. '000	Group 2009 Rs. '000	Group 2008 Rs. '000
22. LOANS AND ADVANCES TO CUSTOMERS *(CONTD.)*				
22.1 (b) Movement in specific provision for bills of exchange				
Balance at 01 January	281,682	298,862	294,764	312,944
Amount provided during the year (Note 12)	197,954	7,063	198,864	6,063
Amount reversed during the year	(301,124)	–	(301,124)	–
Adjustments/transfers	(28,141)	(24,243)	(28,141)	(24,243)
Balance at 31 December	**150,371**	**281,682**	**164,363**	**294,764**
22.1 (c) Movement in general provision for bills of exchange				
Balance at 01 January	145,840	55,453	153,130	63,217
Amount provided/(reversed) during the year (Note 12)	(122)	90,387	1,972	89,913
Balance at 31 December	**145,718**	**145,840**	**155,102**	**153,130**
22.1 (d) Movement in interest in suspense of bills of exchange				
Balance at 01 January	553,961	424,736	553,961	424,736
Interest suspended during the year	101,627	209,579	101,627	209,579
Amount reversed during the year	(107,463)	(80,354)	(107,463)	(80,354)
Balance at 31 December	**548,125**	**553,961**	**548,125**	**553,961**

As at 31 December	Bank 2009 Rs. '000	Bank 2008 Rs. '000	Group 2009 Rs. '000	Group 2008 Rs. '000
22.2 Loans and advances				
Sri Lanka rupee loans and advances				
Overdrafts	56,946,022	59,512,303	56,946,022	59,319,547
Term loans	96,685,864	83,920,244	98,281,626	84,168,580
Trust receipts	6,797,199	8,603,269	6,797,199	8,603,269
Staff loans	14,001,771	13,762,613	14,058,401	13,838,368
Loans under schemes	10,200,400	10,173,784	10,213,880	10,173,784
Foreclosed properties [Note 22.2 (b)]	445,876	340,832	445,876	340,832
	185,077,132	176,313,045	186,743,004	176,444,380
Foreign currency loans and advances				
Overdrafts	2,666,731	2,491,941	2,666,731	2,491,941
Term loans	66,576,024	77,755,517	66,576,024	77,755,517
Trust receipts	8,381,259	9,847,723	8,381,259	9,847,723
Staff loans	15,381	14,882	15,381	14,882
	77,639,395	90,110,063	77,639,395	90,110,063
Total Sri Lanka rupee and foreign currency loans & advances	**262,716,527**	**266,423,108**	**264,382,399**	**266,554,443**
Specific provision for loans & advances [Note 22.2 (c)]	(7,595,463)	(7,410,629)	(7,629,954)	(7,437,841)
General provision for loans & advances [Note 22.2 (d)]	(1,719,846)	(1,741,888)	(1,741,129)	(1,753,737)
Provision for foreclosed properties [Note 22.2 (e)]	(32,796)	(28,501)	(32,796)	(28,501)
Interest in suspense [Note 22.2 (f)]	(7,766,138)	(7,912,498)	(7,776,751)	(7,915,247)
Net loans and advances	**245,602,284**	**249,329,592**	**247,201,769**	**249,419,117**
22.2 (a) Analysis of net loans and advances				
Not later than 1 year	157,606,283	155,536,707	158,507,011	154,879,540
Later than 1 year and not later than 5 years	44,705,518	54,059,775	45,385,032	54,797,530
Later than 5 years	43,290,483	39,733,110	43,309,726	39,742,047
	245,602,284	**249,329,592**	**247,201,769**	**249,419,117**

For the year ended 31 December	Bank 2009 Rs. '000	Bank 2008 Rs. '000	Group 2009 Rs. '000	Group 2008 Rs. '000
22. LOANS AND ADVANCES TO CUSTOMERS *(CONTD.)*				
22.2 (b) Movement in foreclosed properties				
Balance at 01 January	340,832	312,369	340,832	312,369
Additions during the year	111,472	82,440	111,472	82,440
Disposals during the year	(6,428)	(55,959)	(6,428)	(55,959)
Adjustments/transfers	–	1,982	–	1,982
Balance at 31 December	**445,876**	**340,832**	**445,876**	**340,832**
22.2 (c) Movement in specific provision for loans & advances				
Balance at 01 January	7,410,629	7,142,208	7,437,841	7,166,509
Adjustments for difference of currency conversion	12,333	56,748	12,333	56,748
	7,422,962	7,198,956	7,450,174	7,223,257
Amounts provided during the year (Note 12)	1,412,637	1,700,953	1,317,332	1,706,244
Amounts reversed/written back on account of provisions previously made	(1,059,849)	(1,229,852)	(1,064,883)	(1,247,127)
Amount reversed due to loans written off	(291,240)	(250,021)	(291,781)	(252,597)
Adjustments/transfers	110,953	(9,407)	219,112	8,064
Balance at 31 December	**7,595,463**	**7,410,629**	**7,629,954**	**7,437,841**
22.2 (d) Movement in general provision for loans & advances				
Balance at 01 January	1,741,888	1,337,171	1,753,737	1,344,221
Adjustments for difference of currency conversion	1,164	(5,453)	1,164	(5,453)
Amounts provided/(reversed) during the year (Note 12)	(556)	410,170	8,878	414,969
Adjustments/transfers	(22,650)	–	(22,650)	–
Balance at 31 December	**1,719,846**	**1,741,888**	**1,741,129**	**1,753,737**
22.2 (e) Movement in provision for foreclosed properties				
Balance at 01 January	28,501	39,733	28,501	39,733
Amount provided during the year	–	–	–	–
Amount reversed during the year	(988)	(13,254)	(988)	(13,254)
Adjustments/transfers	5,283	2,022	5,283	2,022
Balance at 31 December	**32,796**	**28,501**	**32,796**	**28,501**
22.2 (f) Movement in interest in suspense of loans & advances				
Balance at 01 January	7,912,498	7,434,048	7,915,247	7,436,797
Interest suspended during the year	687,475	1,429,856	687,475	1,429,856
Amount reversed during the year	(487,237)	(583,450)	(489,629)	(583,450)
Amount reversed due to loans written off	(322,439)	(391,351)	(322,439)	(391,351)
Adjustments/transfers	(24,159)	23,395	(13,903)	23,395
Balance at 31 December	**7,766,138**	**7,912,498**	**7,776,751**	**7,915,247**

As at 31 December	Bank 2009 Rs. '000	Bank 2008 Rs. '000	Group 2009 Rs. '000	Group 2008 Rs. '000
22. LOANS AND ADVANCES TO CUSTOMERS *(CONTD.)*				
22.3 Lease rentals receivable - within one year				
Gross lease rentals receivable	2,788,342	2,429,060	8,641,590	5,681,660
Prepaid rentals	(17,462)	(12,984)	(1,763,493)	(69,790)
Net lease rentals receivable	2,770,880	2,416,076	6,878,097	5,611,870
Unearned income	(580,685)	(708,785)	(1,399,152)	(1,588,350)
Specific provision for lease rentals receivable (Note 22.6)	(159,165)	(18,674)	(449,992)	(197,226)
General provision for lease rentals receivable (Note 22.7)	(22,105)	(14,713)	(60,690)	(14,713)
Interest in suspense (Note 22.8)	(88,212)	(42,012)	(177,955)	(46,619)
Net investment in lease rentals receivable	**1,920,713**	**1,631,892**	**4,790,308**	**3,764,962**
22.4 Lease rentals receivable - one to five years				
Gross lease rentals receivable	3,101,035	5,674,228	7,077,698	11,075,637
Prepaid rentals	(29,239)	(40,542)	(35,659)	(82,674)
Net lease rentals receivable	3,071,796	5,633,686	7,042,039	10,992,963
Unearned income	(546,058)	(1,186,465)	(1,510,798)	(2,346,828)
Specific provision for lease rentals receivable (Note 22.6)	(104,806)	(97,732)	(211,499)	(279,059)
General provision for lease rentals receivable (Note 22.7)	(26,639)	(34,370)	(53,133)	(125,608)
Interest in suspense (Note 22.8)	(106,422)	(98,138)	(160,251)	(122,340)
Net investment in lease rentals receivable	**2,287,871**	**4,216,981**	**5,106,358**	**8,119,128**
22.5 Lease rentals receivable - after five years				
Gross lease rentals receivable	240	483	334	22,630
Prepaid rentals	–	(112)	–	(112)
Net lease rentals receivable	240	371	334	22,518
Unearned income	(19)	(42)	(20)	(9,732)
Specific provision for lease rentals receivable (Note 22.6)	–	–	–	–
General provision for lease rentals receivable (Note 22.7)	(8)	(3)	(8)	(3)
Interest in suspense of lease rentals (Note 22.8)	(6)	(8)	(6)	(8)
Net investment in lease rentals receivable	**207**	**318**	**300**	**12,775**

For the year ended 31 December	Bank 2009 Rs. '000	Bank 2008 Rs. '000	Group 2009 Rs. '000	Group 2008 Rs. '000
22.6 Movement in specific provision for lease rentals receivable				
Balance at 01 January	116,406	9,538	476,285	354,619
Amount reversed/written back on account provisions previously made	(36,039)	–	(36,239)	(47,497)
Adjustments/transfers	(8,522)	(40,438)	6,938	(40,637)
Amount reversed due to loans written off	–	–	(162,106)	(38,318)
Amount provided during the year (Note 12)	192,126	147,306	376,613	248,118
Balance at 31 December	**263,971**	**116,406**	**661,491**	**476,285**
22.7 Movement in general provision for lease rentals receivable				
Balance at 01 January	49,086	31,309	140,324	124,056
Amount provided/(reversed) during the year (Note 12)	(334)	17,777	(8,682)	18,130
Adjustments/transfers	–	–	(17,811)	(1,862)
Balance at 31 December	**48,752**	**49,086**	**113,831**	**140,324**

For the year ended 31 December	Bank 2009 Rs. '000	Bank 2008 Rs. '000	Group 2009 Rs. '000	Group 2008 Rs. '000
22. LOANS AND ADVANCES TO CUSTOMERS *(CONTD.)*				
22.8 Movement in interest in suspense for lease rentals receivable				
Balance at 01 January	140,158	2,305	168,967	26,905
Adjustments/transfers	–	–	94,339	–
Interest suspended during the year	347,647	137,853	368,071	142,062
Amount reversed during the year	(293,165)	–	(293,165)	–
Balance at 31 December	**194,640**	**140,158**	**338,212**	**168,967**
22.9 Movement in specific provision for bills of exchange, loans & advances, foreclosed properties and lease rentals receivable - summary				
Balance at 01 January	7,837,218	7,490,341	8,237,390	7,873,804
Adjustments for difference due to currency conversion	12,333	56,748	12,333	56,748
	7,849,551	7,547,089	8,249,723	7,930,552
Amounts recovered/written back on account of provisions previously made	(1,398,000)	(1,243,106)	(1,403,234)	(1,307,878)
Amount reversed due to loans written off	(291,240)	(250,021)	(453,887)	(290,915)
Adjustments/transfers	79,573	(72,066)	203,193	(54,795)
Amount provided during the year (Note 12)	1,802,717	1,855,322	1,892,809	1,960,425
Balance at 31 December	**8,042,601**	**7,837,218**	**8,488,604**	**8,237,390**
22.10 Movement in general provision for bills of exchange, loans & advances, foreclosed properties and lease rentals receivable - summary				
Balance at 01 January	1,936,814	1,423,933	2,047,191	1,531,494
Adjustments for difference due to currency conversion	1,164	(5,453)	1,164	(5,453)
	1,937,978	1,418,480	2,048,355	1,526,041
Amounts provided/(reversed) during the year (Note 12)	(1,012)	518,334	2,168	523,012
Adjustments/transfers	(22,650)	–	(40,461)	(1,862)
Balance at 31 December	**1,914,316**	**1,936,814**	**2,010,062**	**2,047,191**
22.11 Movement in interest in suspense for bills of exchange, loans & advances, foreclosed properties and lease rentals receivable - summary				
Balance at 01 January	8,606,617	7,861,089	8,638,175	7,888,438
Interest suspended during the year	1,136,749	1,777,288	1,157,173	1,781,497
Amount reversed during the year	(887,865)	(663,804)	(890,257)	(663,804)
Amount reversed due to write offs	(322,439)	(391,351)	(322,439)	(391,351)
Adjustments/transfers	(24,159)	23,395	80,436	23,395
Balance at 31 December	**8,508,903**	**8,606,617**	**8,663,088**	**8,638,175**

22. LOANS AND ADVANCES TO CUSTOMERS *(CONTD.)*

22.12 Non-performing loans & advances

The Bank's net exposure on non-performing loans & advances as at Balance Sheet date, before adjusting for the value of securities are as follows:

As at 31 December	Bank				Group			
	2009 Rs. '000	%	2008 Rs. '000	%	2009 Rs. '000	%	2008 Rs. '000	%
Non-performing loans & advances								
Bills of exchange	792,563		799,993		910,110		918,623	
Loans & advances	13,548,459		12,114,524		13,605,840		12,367,044	
Foreclosed properties	445,877		340,832		445,877		340,832	
Lease rentals receivable	755,421		560,632		1,319,123		1,243,336	
Total non-performing advances	15,542,320	5.65*	13,815,981	4.92*	16,280,950	5.75*	14,869,835	5.17*
Less: Specific provision for loan losses								
Specific provision for bills of exchange	150,371		281,682		164,363		294,764	
Specific provision for loans & advances	7,595,463		7,410,629		7,629,954		7,437,841	
Specific provision for foreclosed properties	32,796		28,501		32,796		28,501	
Specific provision for lease rentals receivable	263,971		116,406		661,491		476,285	
Total provision for loans & advances	8,042,601	2.92*	7,837,218	2.79*	8,488,604	3.00*	8,237,391	2.87*
Net exposure	**7,499,719**	**2.73***	**5,978,763**	**2.13***	**7,792,346**	**2.75***	**6,632,444**	**2.30***

** As a percentage of total gross loans & advances (Net of interest in suspense).*

The Bank's net exposure on non-performing advances amounting to Rs. 7,500 million as at 31 December 2009 (2008 - Rs. 5,979 million) is covered by securities valued at Rs. 8,459 million (2008 - Rs. 10,131 million).

22.13 Credit concentration - Geographic sector risk concentrations

Geographic sector risk concentrations within the customer loan portfolio were as follows:

As at 31 December	Bank				Group			
	2009 Rs. '000	%	2008 Rs. '000	%	2009 Rs. '000	%	2008 Rs. '000	%
Sri Lanka	269,737,123	98.1	276,014,897	98.3	278,013,108	98.1	282,992,194	98.3
United Kingdom	215,755	0.1	167,972	0.1	215,755	0.1	167,972	0.1
Republic of Maldives	3,842,615	1.4	3,432,537	1.2	3,842,615	1.4	3,432,537	1.2
India	1,226,814	0.4	1,263,652	0.4	1,226,814	0.4	1,263,652	0.4
	275,022,307	**100.0**	**280,879,058**	**100.0**	**283,298,292**	**100.0**	**287,856,355**	**100.0**

22. LOANS AND ADVANCES TO CUSTOMERS *(CONTD.)*

22.14 Credit concentration - Economic sector risk concentrations

Economic sector risk concentrations within the customer loan portfolio were as follows:

As at 31 December	Bank				Group			
	2009 Rs. '000	%	2008 Rs. '000	%	2009 Rs. '000	%	2008 Rs. '000	%
Exports and imports	32,186,130	11.7	31,361,307	11.2	32,486,450	11.5	31,424,636	10.9
Wholesale and retail trade	21,058,927	7.7	22,788,118	8.1	22,107,979	7.8	24,506,388	8.5
Banking, finance and insurance	3,094,565	1.1	8,088,029	2.9	3,584,324	1.3	7,642,702	2.7
Agriculture and fisheries	7,751,422	2.8	6,683,665	2.4	8,359,859	3.0	7,165,830	2.5
Manufacturing	8,324,054	3.0	9,721,042	3.5	8,810,347	3.1	10,583,990	3.7
Hotels, travels and services	16,814,594	6.1	14,369,365	5.1	21,387,099	7.5	16,414,984	5.7
Housing, construction & property development	35,791,166	13.0	33,327,282	11.9	36,262,928	12.8	33,906,426	11.8
Consumption and others	56,647,624	20.6	55,142,889	19.6	56,945,481	20.1	56,814,038	19.7
Government & SOEs	92,907,949	33.8	99,056,529	35.2	92,907,949	32.7	99,056,529	34.4
Foreclosed properties	445,876	0.2	340,832	0.1	445,876	0.2	340,832	0.1
Gross loans & advances	**275,022,307**	**100.0**	**280,879,058**	**100.0**	**283,298,292**	**100.0**	**287,856,355**	**100.0**

23. GOVERNMENT OF SRI LANKA RESTRUCTURING BONDS

As at 31 December		Bank/Group			
		2009 Rs. '000	2008 Rs. '000	Rate %	Date of maturity
Date issued	**Description**				
24.03.1993	For recapitalisation purposes	4,780,000	4,780,000	12	24.03.2023
24.03.1993	For settlement of loans	3,767,000	3,767,000	12	24.03.2023
		8,547,000	**8,547,000**		

24. INVESTMENT SECURITIES

As at 31 December	Bank		Group	
	2009 Rs. '000	2008 Rs. '000	2009 Rs. '000	2008 Rs. '000
Equity shares				
Listed equity shares [Note 24 (a)]	1,146,862	691,862	1,360,152	691,862
Unlisted equity shares [Note 24 (b)]	98,575	101,325	113,735	106,369
Unlisted preference shares [Note 24 (c)]	25,000	50,000	25,000	50,000
Other investments [Note 24 (i)]	–	–	380,050	–
Debt securities				
Listed debentures [Note 24 (d)]	120,000	120,000	120,000	120,000
Asset securitisation bonds (unlisted) [Note 24 (e)]	13,321	68,573	13,321	68,573
Bonds				
Sri Lanka Development Bonds [24 (f)]	71,948,559	67,538,812	71,948,559	67,538,812
Government securities [Note 24 (g)]	1,381,700	–	1,381,700	–
Units in unit trusts [Note 24 (h)]	1,110,725	1,110,725	1,110,725	1,110,725
	75,844,742	**69,681,297**	**76,453,242**	**69,686,341**

24. INVESTMENT SECURITIES *(CONTD.)*

24. (a) Listed equity shares

As at 31 December	Bank					
	2009			2008		
	No. of ordinary shares	Cost of investment Rs. '000	Market value Rs. '000	No. of ordinary shares	Cost of investment Rs. '000	Market value Rs. '000
National Development Bank PLC	8,185,538	691,862	1,686,221	8,185,538	691,862	703,956
Seylan Bank PLC	13,000,000	455,000	481,000	–	–	–
		1,146,862	**2,167,221**		**691,862**	**703,956**

As at 31 December	Group					
	2009			2008		
	No. of ordinary shares	Cost of investment Rs. '000	Market value Rs. '000	No. of ordinary shares	Cost of investment Rs. '000	Market value Rs. '000
National Development Bank PLC	8,185,538	691,862	1,686,221	8,185,538	691,862	703,956
Seylan Bank PLC	13,000,000	455,000	481,000	–	–	–
The Lanka Hospitals Corporation PLC	21,329,000	213,290	506,564	–	–	–
		1,360,152	**2,673,785**		**691,862**	**703,956**

24. (b) Unlisted equity shares

As at 31 December	Bank					
	2009			2008		
	No. of ordinary shares	Cost of investment Rs. '000	Directors' valuation Rs. '000	No. of ordinary shares	Cost of investment Rs. '000	Directors' valuation Rs. '000
Credit Information Bureau	27,000	2,700	2,700	27,000	2,700	2,700
Fitch Ratings Lanka Limited	62,500	625	625	62,500	625	625
Kandurata Development Bank	1,200,000	12,000	12,000	1,200,000	12,000	12,000
Kandy Textile Industries Limited	191,790	1,918	–	191,790	1,918	–
Lanka Clear (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	500,000	5,000	5,000
Megpek Exports Limited	300,000	4,355	–	300,000	4,355	–
Rajarata Development Bank	1,298,448	12,000	12,000	1,298,448	12,000	12,000
Ruhunu Development Bank	1,200,000	12,000	12,000	1,200,000	12,000	12,000
Sabaragamuwa Development Bank	1,200,000	12,000	12,000	1,200,000	12,000	12,000
Serendib Coconut Products Limited	37,500	375	–	37,500	375	–
Uva Development Bank	1,200,000	12,000	12,000	1,200,000	12,000	12,000
Wayamba Development Bank	1,320,000	12,000	12,000	1,320,000	12,000	12,000
		105,223	98,575		107,973	101,325
Provision for diminution in value		(6,648)	–		(6,648)	–
		98,575	**98,575**		**101,325**	**101,325**

24. INVESTMENT SECURITIES *(CONTD.)*

24. (b) Unlisted equity shares *(Contd.)*

As at 31 December	Group					
	2009			2008		
	No. of ordinary shares	Cost of investment Rs. '000	Directors' valuation Rs. '000	No. of ordinary shares	Cost of investment Rs. '000	Directors' valuation Rs. '000
Capital Reach Holdings Limited	511,500	5,115	5,115	–	–	–
Ceylinco Investment Company Limited	5,000,000	5,000	5,000	–	–	–
Credit Information Bureau	37,100	2,745	2,745	27,044	2,744	2,744
Fitch Ratings Lanka Limited	62,500	625	625	62,500	625	625
Kandurata Development Bank	1,200,000	12,000	12,000	1,200,000	12,000	12,000
Kandy Textile Industries Limited	191,790	1,918	–	191,790	1,918	–
Lanka Clear (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	500,000	5,000	5,000
MEGA Containers Limited	1,000,000	10,000	5,000	–	10,000	10,000
Megpek Export Limited	300,000	4,355	–	300,000	4,355	–
Rajarata Development Bank	1,298,448	12,000	12,000	1,298,448	12,000	12,000
Ruhunu Development Bank	1,200,000	12,000	12,000	1,200,000	12,000	12,000
Sabaragamuwa Development Bank	1,200,000	12,000	12,000	1,200,000	12,000	12,000
Serendib Coconut Products Limited	37,500	375	–	37,500	375	–
Uva Development Bank	1,200,000	12,000	12,000	1,200,000	12,000	12,000
Wayamba Development Bank	1,320,000	12,000	12,000	1,320,000	12,000	12,000
		125,383	113,735		118,017	111,369
Provision for diminution in value		(11,648)	–		(11,648)	–
		113,735	**113,735**		**106,369**	**111,369**

As at 31 December	Bank/Group					
	2009			2008		
	No. of shares	Cost of investment Rs. '000	Directors' valuation Rs. '000	No. of shares	Cost of investment Rs. '000	Directors' valuation Rs. '000
24. (c) Unlisted preference shares						
Carson Cumberbatch Company PLC (Non voting 14% redeemable, cumulative preference shares)	2,500,000	25,000	25,000	5,000,000	50,000	50,000
		25,000	**25,000**		**50,000**	**50,000**

24. INVESTMENT SECURITIES *(CONTD.)*

As at 31 December	Bank/Group					
	2009			2008		
	No. of securities/ debentures	Cost of investment Rs. '000	Market value Rs. '000	No. of securities/ debentures	Cost of investment Rs. '000	Market value Rs. '000
24. (d) Listed debentures						
HDFC Bank PLC [6 months Gross TB rate plus 185 basis points subject to CAP of 15% Rs. 100/- each maturing June 2010]	750,000	75,000	75,000	750,000	75,000	75,000
Singer (Sri Lanka) PLC [6 months Gross TB rate plus 150 basis points subject to CAP of 15.5% Rs. 100/- each maturing September 2010]	450,000	45,000	45,000	450,000	45,000	45,000
		120,000	**120,000**		**120,000**	**120,000**

As at 31 December	Bank/Group			
	2009		2008	
	Cost of investment Rs. '000	Market value Rs. '000	Cost of investment Rs. '000	Market value Rs. '000
24. (e) Asset securitisation bonds				
HDFC Bank PLC [3 months Gross TB rate plus 150 basis points maturing May 2010]	13,321	13,321	68,573	68,573
	13,321	**13,321**	**68,573**	**68,573**

As at 31 December	Bank/Group					
	2009			2008		
	Date of maturity	Cost of investment Rs. '000	Directors' valuation Rs. '000	Date of maturity	Cost of investment Rs. '000	Directors' valuation Rs. '000
24. (f) Sri Lanka Development Bonds (US$ Bonds)						
Sri Lanka Development Bonds (6 months LIBOR plus 275 basis points)	15.07.2010	22,338,225	22,338,225	15.07.2010	22,206,600	22,206,600
Sri Lanka Development Bonds (6 months LIBOR plus 370 basis points)	15.07.2013	45,600,909	45,600,909	15.07.2013	45,332,212	45,332,212
Sri Lanka Development Bonds (6 months LIBOR plus 550 basis points)	16.03.2011	572,775	572,775	–	–	–
Sri Lanka Development Bonds (6 months LIBOR plus 540 basis points)	16.03.2011	1,718,325	1,718,325	–	–	–
Sri Lanka Development Bonds (6 months LIBOR plus 500 basis points)	29.06.2011	572,775	572,775	–	–	–
Sri Lanka Development Bonds (6 months LIBOR plus 450 basis points)	18.08.2011	572,775	572,775	–	–	–
Sri Lanka Development Bonds (6 months LIBOR plus 425 basis points)	22.09.2012	572,775	572,775	–	–	–
		71,948,559	**71,948,559**		**67,538,812**	**67,538,812**

24. INVESTMENT SECURITIES *(CONTD.)*

As at 31 December	Bank/Group			
	2009		2008	
	Cost of investment Rs. '000	Directors' valuation Rs. '000	Cost of investment Rs. '000	Directors' valuation Rs. '000
24. (g) Government securities				
Investment in Government securities	1,381,700	1,381,700	–	–
	1,381,700	**1,381,700**	**–**	**–**

As at 31 December	Bank/Group					
	2009			2008		
	No. of units	Cost of investment Rs. '000	Managers' valuation Rs. '000	No. of units	Cost of investment Rs. '000	Managers' valuation Rs. '000
24. (h) Units in unit trusts						
Ceybank Unit Trust	86,699,503	980,312	1,793,813	86,699,503	980,312	907,744
Ceybank Unit Trust - Seed Fund	4,421,052	42,000	91,472	4,421,052	42,000	46,288
Ceybank Century Growth Fund	7,327,748	88,413	259,475	7,327,748	88,413	111,308
		1,110,725	**2,144,760**		**1,110,725**	**1,065,340**

As at 31 December	Group			
	2009		2008	
	Cost of investment Rs. '000	Directors' valuation Rs. '000	Cost of investment Rs. '000	Directors' valuation Rs. '000
24. (i) Other investments				
Investment in Commercial Papers	380,000	380,000	–	–
Investment in Other Banks	50	50	–	–
	380,050	**380,050**	–	–

For the year ended 31 December	Bank 2009 Rs. '000	Bank 2008 Rs. '000	Group 2009 Rs. '000	Group 2008 Rs. '000
25. INVESTMENT PROPERTIES				
Cost				
Balance at 01 January	–	623,620	431,181	1,087,865
Additions during the year	–	–	110,398	55,173
Adjustments/transfers	–	(129,386)	(144,215)	–
Disposals during the year	–	(494,234)	(450)	(711,857)
Balance at 31 December	–	–	396,914	431,181
Less: Accumulated depreciation				
Balance at 01 January	–	64,960	2,431	66,368
Charge for the year	–	–	3,060	1,024
Adjustments/transfers	–	(11,418)	(307)	–
Released on disposal	–	(53,542)	–	(64,961)
Balance at 31 December	–	–	5,184	2,431
Net investment properties	**–**	**–**	**391,730**	**428,750**

No investment properties were held by the Bank as at 31 December 2009

As at 31 December

	2009							
		Cost/Carrying amount				Fair value		
	Building (sq.ft.)	Extent	Land Rs. '000	Building Rs. '000	Total Rs. '000	Land Rs. '000	Building Rs. '000	Total Rs. '000
25.1 Investment properties held by the group								
No. 64 & 66, Nonagama Road, Pallegama, Embilipitiya.		16.61p	1,750	–	1,750	3,000	–	3,000
Lot No. 2 & 3 of Muttuweowita.	Acquired by RDA	20.4p	714	–	714	1,000	–	1,000
No. 300/8, Thalawathugoda Road, Madiwela, Kotte.	2,478	16.15p	2,465	2,635	5,100	2,422	2,590	5,012
No. 385/1, Kotte Road, Pittakotte.	2,896	19.01p	2,958	1,730	4,688	3,343	1,955	5,298
No. 19, Galle Road, Angoda, Bentota.	961	2R-00.00p	2,878	111	2,989	5,600	216	5,816
No. 116, 116/1, 118, 120, 1st Cross Street, Colombo 01.	Sold 90%	12.35p	1,249	–	1,249	22,500	–	22,500
No. 43, 45, 49, 51 & 53, New Olcott Mawatha, Colombo 11.	–	9.76p	9,950	–	9,950	35,000	–	35,000
No. 102 & 104, Dam Street, Colombo 12.	8,525	1R-10.7p	19,571	2,538	22,109	44,065	11,964	56,029
Kumbuththukuliya Watte, Bangadeniya Road, Puttalam.	–	2.0A	600	–	600	2,000	–	2,000
Mirissawelawatta Hena; Thekka watta, Dambadeniya.	–	1A-0R-28.0p	162	–	162	2,560	–	2,560
Rukgahakottunuwa, Gehenuwala, Meepe.	–	38.33p	2,418	–	2,418	890	–	890
No. 299, Union Place, Colombo 02.	10,456	50p	225,085	10,100	235,185	216,000	9,344	225,344
No. 50/21, Old Kesbawa Road, Raththanapitiya, Boralesgamuwa.	44,877	2A-1R-04.35p	65,604	44,396	110,000	136,600	92,475	229,075
Total			**335,404**	**61,510**	**396,914**	**474,980**	**118,544**	**593,524**

Note

The fair value of the investment properties as at 31 December 2007 was based on valuations carried out by Mr. D N Dhammika Baranage, RICS (UK), DIV (SL), who is an independent valuer not connected with the Group. The Directors have reviewed values of the investment properties as at 31 December 2009 and concluded that there were no impairment.

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December	Bank Cost 2009 Cost Rs. '000	Bank Cost 2009 Market value/ directors' valuation Rs. '000	Bank Cost 2008 Cost Rs. '000	Bank Cost 2008 Market value/ directors' valuation Rs. '000	Group Equity value 2009 Equity value Rs. '000	Group Equity value 2009 Market value/ directors' valuation Rs. '000	Group Equity value 2008 Equity value Rs. '000	Group Equity value 2008 Market value/ directors' valuation' Rs. '000
26. INVESTMENTS IN ASSOCIATE COMPANIES								
26.1 Unquoted								
Lanka Securities (Private) Limited (2,796,000 ordinary shares)	41,940	41,940	41,940	41,940	134,081	134,081	120,288	120,288
Mireka Capital Land (Private) Limited (75,000,000 ordinary shares)	750,000	750,000	750,000	750,000	832,400	832,400	789,785	789,785
Southern Development Financial Company Limited (2,500,000 ordinary shares)	25,000	1,670	25,000	1,670	692	692	1,670	1,670
Transnational Lanka Records Solutions (Private) Limited (2,000,000 ordinary shares)	20,000	20,000	20,000	20,000	29,177	29,177	25,941	25,941
Unit Trust Management Company (Private) Limited (1,240,000 ordinary shares)	31,048	31,048	5,000	5,000	54,560	54,560	18,686	18,686
MBSL Savings Bank Limited (272,448 ordinary shares)	–	–	–	–	33,155	33,155	–	–
Total investment in Associate Companies	867,988	844,658	841,940	818,610	1,084,065	1,084,065	956,370	956,370
Provision for diminution in value	(23,330)	–	(23,330)	–	–	–	–	–
Net investment in Associate Companies	**844,658**	**844,658**	**818,610**	**818,610**	**1,084,065**	**1,084,065**	**956,370**	**956,370**

Name of company	Place of incorporation	Principal activities	2009 Group's interest In stated capital %	2009 Stated capital Rs. '000	2008 Group's interest in stated capital %	2008 Stated capital Rs. '000
26.2 The details of Associates are as follows:						
Lanka Securities (Private) Limited	Sri Lanka	Equity trading, debt trading and placements	40.92	279,600	42.04	209,700
Mireka Capital Land (Private) Limited	Sri Lanka	Purchasing, hiring and acquiring real estate properties, real estate development	40.00	1,875,000	40.00	1,875,000
Southern Development Financial Company Limited	Sri Lanka	Venture capital funding	41.67	60,000	41.67	60,000
Transnational Lanka Records Solutions (Private) Limited	Sri Lanka	Real estate - renting out properties	24.69	81,000	24.69	81,000
Unit Trust Management Company (Private) Limited	Sri Lanka	Managing unit trust funds and private portfolio	49.60	25,000	20.00	25,000
MBSL Savings Bank Limited	Sri Lanka	Offers saving products	49.88	546,206	–	–

Notes

(1) The Merchant Bank of Sri Lanka PLC, a Subsidiary of the Group acquired the MBSL Savings Bank Limited on 28 April 2009 which is treated as an Associate Company of the Group.

Group interest in the voting shares : 49.88%

Amount invested : Rs. 100,000,000/-

Post acquisition (loss)/profit to Group account for the financial year : Rs. 68,271,000/-

(2) The name of Unit Trust Management Company (Private) Limited has been changed to 'Ceybank Asset Management (Private) Limited' with effect from 17 February 2010.

For the year ended 31 December	Bank Cost 2009 Rs. '000	Bank Cost 2008 Rs. '000	Group Equity value 2009 Rs. '000	Group Equity value 2008 Rs. '000
26. INVESTMENTS IN ASSOCIATE COMPANIES *(CONTD.)*				
26.3 Movement in investments in Associate Companies				
Balance at 01 January	841,940	841,940	956,370	933,755
Increase/(decrease) in investment	26,048	–	26,048	–
Share of profit/(loss) before tax	–	–	130,653	63,371
Share of tax	–	–	(21,109)	(17,423)
Dividends	–	–	(4,675)	(4,014)
Other adjustments	–	–	(3,222)	(19,319)
Balance at 31 December	867,988	841,940	1,084,065	956,370

For the year ended 31 December	Bank 2009 Rs. '000	Bank 2008 Rs. '000	Group 2009 Rs. '000	Group 2008 Rs. '000
26.4 Movement in provision for diminution in value				
Balance at 01 January	23,330	22,300	–	–
Amount provided during the year	–	1,030	–	–
Balance at 31 December	**23,330**	**23,330**	**–**	**–**

As at 31 December	2009 Rs. '000	2008 Rs. '000
26.5 The group's interest in the summarised financial information of the Associates are as follows:		
Assets	2,673,026	2,333,169
Liabilities	2,602,178	1,376,797
Total operating income	682,975	335,376
Total operating expenses	552,322	231,621
Profit before taxation	130,653	63,371
Provision for taxation	21,109	17,423
Profit after taxation	109,544	45,948

As at 31 December	Bank 2009 Rs. '000	Bank 2008 Rs. '000	Group 2009 Rs. '000	Group 2008 Rs. '000
27. INVESTMENT IN SUBSIDIARY COMPANIES				
Investment in quoted companies (Note 27.2)	2,862,705	2,514,800	–	–
Investment in unquoted companies (Note 27.3)	1,146,284	1,086,284	–	–
Total investment in Subsidiary Companies	4,008,989	3,601,084	–	–
Provision for diminution in value (Note 27.4)	(817,130)	(817,130)	–	–
Net investment in Subsidiary Companies	**3,191,859**	**2,783,954**	**–**	**–**
27.1 Movement in investment in Subsidiaries				
Balance at 01 January	3,601,084	3,647,984	–	–
Increase/(decrease) in investment	407,905	(46,900)	–	–
Balance at 31 December	**4,008,989**	**3,601,084**	**–**	**–**

As at 31 December	Bank 2009 Cost Rs. '000	Bank 2009 Market value/ directors' value Rs. '000	Bank 2008 Cost Rs. '000	Bank 2008 Market value/ directors' value Rs. '000
27. INVESTMENT IN SUBSIDIARY COMPANIES *(CONTD.)*				
27.2 Quoted				
Property Development PLC (61,485,050 Ordinary shares)	740,070	1,767,695	740,070	1,229,701
Merchant Bank of Sri Lanka PLC (97,392,136 Ordinary shares)	2,122,635	1,899,147	1,774,730	495,900
Investment in quoted Subsidiary Companies	**2,862,705**	**3,666,842**	**2,514,800**	**1,725,601**
27.3 Unquoted				
BOC Management & Support Services (Private) Limited (100,000 Ordinary shares)	1,000	1,000	1,000	1,000
BOC Property Development & Management (Private) Limited (101,000,000 Ordinary shares)	1,010,000	1,010,000	1,010,000	1,010,000
BOC Travels (Private) Limited (250,000 Ordinary shares)	2,500	2,500	2,500	2,500
Hotels Colombo (1963) Limited (73,669 Ordinary shares)	737	737	737	737
Merchant Credit of Sri Lanka Limited (4,900,018 Ordinary shares)	22,047	22,047	22,047	22,047
Ceylease Financial Services Limited (11,000,000 Ordinary shares)	110,000	110,000	50,000	50,000
Investment in unquoted Subsidiary Companies	**1,146,284**	**1,146,284**	**1,086,284**	**1,086,284**

For the year ended 31 December	Bank 2009 Rs. '000	Bank 2008 Rs. '000	Group 2009 Rs. '000	Group 2008 Rs. '000
27.4 Movement in provision for diminution in value				
Balance at 01 January	817,130	817,130	–	–
Amount provided during the year	–	–	–	–
Balance at 31 December	**817,130**	**817,130**	**–**	**–**

27. INVESTMENT IN SUBSIDIARY COMPANIES *(CONTD.)*

27.5 The details of Subsidiaries are as follows:

Name of company	Place of incorporation	Principal activities	2009 Group's interest in stated capital %	2009 Stated capital Rs. '000	2008 Group's interest in stated capital %	2008 Stated capital Rs. '000
Quoted						
Property Development PLC	Sri Lanka	Maintain, manage & develop utility and value of BOC head office building	93.16	660,000	93.16	660,000
Merchant Bank of Sri Lanka PLC	Sri Lanka	Leasing and hire purchase, trade finance, corporate advisory services, fund management, capital market activities, corporate secretarial and legal services	72.14	1,607,000	76.00	1,067,000
Unquoted						
BOC Management & Support Services (Private) Limited	Sri Lanka	Provides management services	100.00	1,000	100.00	1,000
BOC Property Development & Management (Private) Limited	Sri Lanka	Renting of office space of BOC Merchant Tower in Colombo 03 and Ceybank house in Kandy	100.00	1,010,000	100.00	1,010,000
BOC Travels (Private) Limited	Sri Lanka	Engage in travel-related services	100.00	2,500	100.00	2,500
Hotels Colombo (1963) Limited	Sri Lanka	Provides hotel services	98.23	750	98.23	750
Merchant Credit of Sri Lanka Limited	Sri Lanka	Accepting deposits, granting lease facilities, loans and other credit facilities and real estate developments and related services	85.79	100,000	87.76	100,000
Ceylease Financial Services Limited	Sri Lanka	Provides leasing, hire purchase, commercial loan facilities and real estate development and sales	55.00	200,000	50.00	100,000
Ceybank Holiday Homes (Private) Limited	Sri Lanka	Operating of Pilgrims Rests/ Holiday Homes/Guest Houses	100.00	1	100.00	1
MBSL Insurance Company Limited (Note 1)	Sri Lanka	Offers life and general insurance products.	72.14	478,487	–	–

Notes

1. The Merchant Bank of Sri Lanka PLC, a Subsidiary of the Group, acquired the MBSL Insurance Company Limited on 07 April 2009 which is treated as a Subsidiary Company of the Group.

Group interest in the voting shares : 72.14%

Amount invested : Rs. 38,605,676/-

Post acquisition (loss)/profit to Group account for the financial year : (Rs. 49,766,000/-)

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December	Bank 2009 Rs. '000	Bank 2008 Rs. '000	Group 2009 Rs. '000	Group 2008 Rs. '000
28. OTHER ASSETS				
Accrued interest and other receivables	9,002,621	8,976,808	9,266,588	9,129,590
Consumable stock in hand	284,242	313,252	349,381	350,131
Foreign cheques purchased	84,721	165,288	84,721	165,288
Local cheques purchased	1,414,411	3,044,095	1,414,411	3,044,095
Other assets	8,398,454	4,804,338	8,659,547	5,455,312
	19,184,449	**17,303,781**	**19,774,648**	**18,144,416**

For the year ended 31 December	Bank Freehold land Rs. '000	Freehold building Rs. '000	Leasehold building Rs. '000	Equipment* Rs. '000	Motor vehicles Rs. '000	Leasehold motor vehicles Rs. '000	Total 2009 Rs. '000	Total 2008 Rs. '000
29. PROPERTY, PLANT AND EQUIPMENT								
Cost or valuation								
Balance at 01 January	1,541,786	1,715,651	632,094	5,572,465	283,806	28,238	9,774,040	9,275,476
Additions during the year	28,820	18,386	38,027	962,332	186,309	5,357	1,239,231	577,397
Disposals during the year	(1,000)	(1,972)	–	(112,048)	(1,579)		(116,599)	(48,027)
Exchange rate adjustments	–	41,715	–	9,387	125		51,227	(151,396)
Adjustments/transfers	(3,000)	(6,250)	(54,649)	(12,290)	–	–	(76,189)	120,590
Balance at 31 December	**1,566,606**	**1,767,530**	**615,472**	**6,419,846**	**468,661**	**33,595**	**10,871,710**	**9,774,040**
Accumulated depreciation								
Balance at 01 January	–	339,274	317,494	3,929,548	237,170	2,941	4,826,427	4,314,013
Charge for the year	–	45,652	21,343	580,088	31,729	7,616	686,428	568,452
Disposals during the year	–	(251)	–	(92,682)	(1,579)	–	(94,512)	(40,235)
Exchange rate adjustments	–	5,124	–	9,364	110	–	14,598	(41,785)
Adjustments/transfers	–	(882)	(6,671)	–	–	–	(7,553)	25,982
Balance at 31 December	**–**	**388,917**	**332,166**	**4,426,318**	**267,430**	**10,557**	**5,425,388**	**4,826,427**
Capital work in progress [Note 29.1 (a)]							214,431	62,833
Net book value at 31 December 2009	1,566,606	1,378,613	283,306	1,993,528	201,231	23,038	5,446,322	–
Net book value at 31 December 2008	1,541,786	1,376,377	314,600	1,642,917	46,636	25,297	–	4,947,613
							5,660,753	**5,010,446**

** Details are given in Note 29.2*

For the year ended 31 December	Group							
	Freehold land	Freehold building	Leasehold building	Equipment*	Motor vehicles	Leasehold motor vehicles	Total 2009	Total 2008
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
29. PROPERTY, PLANT AND EQUIPMENT *(CONTD.)*								
Cost or valuation								
Balance at 01 January	1,541,786	3,647,557	632,094	6,415,017	336,907	28,238	12,601,599	12,006,042
Additions during the year	28,820	18,666	38,027	989,808	205,944	5,357	1,286,622	750,747
Disposals during the year	(1,000)	(1,972)	–	(115,460)	(6,022)	–	(124,454)	(109,521)
Exchange rate adjustments	–	41,714	–	9,387	127	–	51,228	(151,396)
Adjustments/transfers	(3,000)	95,648	(54,646)	(94,508)	(5,794)	–	(62,300)	105,727
Balance at 31 December	**1,566,606**	**3,801,613**	**615,475**	**7,204,244**	**531,162**	**33,595**	**13,752,695**	**12,601,599**
Accumulated depreciation								
Balance at 01 January	–	973,472	317,494	4,715,833	263,283	2,941	6,273,023	5,711,068
Charge for the year	–	99,220	21,343	621,940	40,626	7,616	790,745	655,809
Disposals during the year	–	(251)	–	(96,225)	(9,455)	–	(105,931)	(99,741)
Exchange rate adjustments	–	5,124	–	9,364	110	–	14,598	(41,785)
Adjustments/transfers	–	113,350	(6,670)	(132,104)	(462)	–	(25,886)	47,672
Balance at 31 December	**–**	**1,190,915**	**332,167**	**5,118,808**	**294,102**	**10,557**	**6,946,549**	**6,273,023**
Capital work in progress [Note 29.1 (a)]							265,911	99,660
Net book value at 31 December 2009	1,566,606	2,610,698	283,308	2,085,436	237,060	23,038	6,806,146	–
Net book value at 31 December 2008	1,541,786	2,674,085	314,600	1,699,184	73,624	25,297	–	6,328,576
							7,072,057	**6,428,236**

** Details are given in Note 29.2*

29.1 Notes on property, plant & equipment

(a) Capital work in progress which is accounted for on the basis of value of work certified includes mobilisation advances and other construction expenses.

(b) No freehold property, plant & equipment have been pledged as security for any liability.

(c) The amount of commitments for the acquisition of property, plant & equipment is given in the Note 43.1 (a).

(d) The initial cost of fully depreciated property, plant & equipment at the Balance Sheet date, which are still in use are as follows

As at 31 December	Bank		Group	
	2009	2008	2009	2008
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Motor vehicles	44,786	44,786	51,403	50,346
Computer equipment	1,008,575	923,446	1,014,899	928,798
Computer software (Intangible)	1,023,906	465,094	1,023,906	465,094
Equipment, furniture, & fittings	333,205	284,180	488,900	439,065
Leasehold building	46,471	46,471	46,471	46,471
Plant & machinery	398,513	355,200	703,098	683,818
	2,855,456	**2,119,177**	**3,328,677**	**2,613,592**

(e) The market value of land does not differ substantially from the book value.

29. PROPERTY, PLANT AND EQUIPMENT *(CONTD.)*

(f) A portion of freehold properties was revalued by professionally qualified independent valuers based on open market value of existing use. The Bank is making arrangements to revalue all freehold properties over a period of five years. The surpluses arising on the revaluation have been directly credited to the revaluation reserve of the Bank with the permission of the Monetary Board of the Central Bank of Sri Lanka.

Based on the revaluations completed up to the date of the Balance Sheet, the surplus on revaluation amounting to Rs. 2,057 million has been transferred to the revaluation reserve of the Bank.

The carrying value of the properties, if they were carried at cost less accumulated depreciation is as follows:

As at 31 December	Bank 2009 Rs. '000	Bank 2008 Rs. '000	Group 2009 Rs. '000	Group 2008 Rs. '000
Land	43,221	43,221	43,371	43,371
Building	702,359	703,669	713,255	714,565
Accumulated depreciation on building	(343,608)	(325,440)	(349,453)	(331,279)
	401,972	**421,450**	**407,173**	**426,657**

29.2 Equipment

For the year ended 31 December	Bank Computer equipment Rs. '000	Furniture & fittings Rs. '000	Office equipment Rs. '000	2009 Total Rs. '000	2008 Total Rs. '000
Cost					
Balance at 01 January	3,067,065	1,316,388	1,189,012	5,572,465	5,121,925
Additions during the year	529,372	238,685	194,275	962,332	511,831
Disposals during the year	(40,981)	(33,688)	(37,379)	(112,048)	(37,616)
Adjustments/transfers	(8,831)	(885)	(2,574)	(12,290)	(1,018)
Exchange rate adjustments	6,040	1,364	1,983	9,387	(22,657)
Balance at 31 December	3,552,665	1,521,864	1,345,317	6,419,846	5,572,465
Accumulated depreciation					
Balance at 01 January	2,383,014	786,614	759,920	3,929,548	3,511,095
Charge for the year	364,696	116,732	98,660	580,088	475,240
Disposals during the year	(40,829)	(20,264)	(31,589)	(92,682)	(35,850)
Adjustments/transfers	–	–	–	–	5,297
Exchange rate adjustments	6,194	1,558	1,612	9,364	(26,234)
Balance at 31 December	2,713,075	884,640	828,603	4,426,318	3,929,548
Net book value at 31 December 2009	**839,590**	**637,224**	**516,714**	**1,993,528**	**–**
Net book value at 31 December 2008	**684,051**	**529,774**	**429,092**	**–**	**1,642,917**

For the year ended 31 December	Group Computer equipment Rs. '000	Furniture & fittings Rs. '000	Office equipment Rs. '000	2009 Total Rs. '000	2008 Total Rs. '000
Cost					
Balance at 01 January	3,412,651	1,741,258	1,261,108	6,415,017	5,962,285
Additions during the year	538,877	253,461	197,470	989,808	530,041
Disposals during the year	(42,374)	(35,588)	(37,498)	(115,460)	(38,771)
Adjustments/transfers	(227,548)	176,125	(43,085)	(94,508)	(15,881)
Exchange rate adjustments	6,040	1,364	1,983	9,387	(22,657)
Balance at 31 December	3,687,646	2,136,620	1,379,978	7,204,244	6,415,017
Accumulated depreciation					
Balance at 01 January	2,706,535	1,200,306	808,991	4,715,832	4,348,621
Charge for the year	383,783	134,542	103,615	621,940	503,236
Disposals during the year	(42,222)	(22,165)	(31,838)	(96,225)	(36,779)
Adjustments/transfers	(233,441)	132,153	(30,815)	(132,103)	(73,013)
Exchange rate adjustments	6,194	1,558	1,612	9,364	(26,234)
Balance at 31 December	2,820,849	1,446,394	851,565	5,118,808	4,715,832
Net book value at 31 December 2009	**866,797**	**690,226**	**528,413**	**2,085,436**	**–**
Net book value at 31 December 2008	**706,116**	**540,952**	**452,117**	**–**	**1,699,184**

For the year ended 31 December	Bank 2009 Rs. '000	Bank 2008 Rs. '000	Group 2009 Rs. '000	Group 2008 Rs. '000
30. LEASEHOLD LAND				
Cost				
Balance at 01 January	10,159	10,159	65,541	65,541
Additions during the year	–	–	–	–
Disposals during the year	–	–	–	–
Adjustments/transfers	63,499	–	74,350	–
Balance at 31 December	73,658	10,159	139,891	65,541
Accumulated amortisation				
Balance at 01 January	1,720	1,618	11,924	10,465
Amortisation during the year	1,095	102	2,452	1,459
Disposals during the year	–	–	–	–
Adjustments/transfers	7,553	–	18,405	–
Balance at 31 December	10,368	1,720	32,781	11,924
Net book value	**63,290**	**8,439**	**107,110**	**53,617**

Leasehold land represents 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 & equipment. The interest on leasehold land is stated at cost less accumulated amortisation.

For the year ended 31 December	Bank 2009 Rs. '000	Bank 2008 Rs. '000	Group 2009 Rs. '000	Group 2008 Rs. '000
31. INTANGIBLE ASSETS				
Cost				
Balance at 01 January	1,348,110	1,327,891	1,376,535	1,355,081
Additions during the year	55,548	20,219	56,707	21,454
Disposals during the year	–	–	–	–
Adjustments/transfers	8,173	–	17,428	–
Balance at 31 December	1,411,831	1,348,110	1,450,670	1,376,535
Accumulated amortisation				
Balance at 01 January	1,115,546	929,184	1,134,694	945,875
Amortisation during the year	185,473	186,362	189,860	188,819
Disposals during the year	–	–	–	–
Adjustments/transfers	–	–	6,911	–
Balance at 31 December	1,301,019	1,115,546	1,331,465	1,134,694
Net book value	**110,812**	**232,564**	**119,205**	**241,841**

Intangible assets represent the value of computer application software systems and subsequent modifications including costs directly attributable in customising for its intended use, and are carried at cost less accumulated amortisation and any impairment losses.

As at 31 December	Bank 2009 Rs. '000	Bank 2008 Rs. '000	Group 2009 Rs. '000	Group 2008 Rs. '000
32. DEPOSITS FROM CUSTOMERS				
Local currency deposits				
Current account deposits	49,498,104	44,304,268	49,381,189	44,247,177
Savings deposits	110,371,042	91,324,040	110,371,042	91,324,040
Time deposits	120,893,683	83,085,419	123,862,640	85,250,435
Certificates of deposit	29,499	29,507	29,499	29,507
Other deposits	968,732	661,421	968,831	661,582
	281,761,060	219,404,655	284,613,201	221,512,741
Foreign currency deposits				
Current account deposits	5,529,923	3,603,858	5,529,923	3,603,858
Savings deposits	51,816,724	37,992,891	51,816,724	37,992,891
Time deposits	68,798,888	51,427,226	68,798,888	51,427,226
Other deposits	700,847	3,640,936	700,846	3,640,936
	126,846,382	96,664,911	126,846,381	96,664,911
	408,607,442	**316,069,566**	**411,459,582**	**318,177,652**
32. (a) Customer-wise analysis of deposits				
Deposits from banks	886,081	465,980	886,081	465,980
Deposits from finance companies	2,220,754	854,806	2,220,754	854,806
Deposits from other customers	405,500,607	314,748,780	408,352,747	316,856,866
	408,607,442	**316,069,566**	**411,459,582**	**318,177,652**

Note

The maturity analysis of deposits is given in Note 46.

33. BORROWED FUNDS				
Call money borrowings	25,253,940	55,584,668	25,339,940	55,820,179
Borrowings from banks abroad	2,952,643	1,003,592	2,952,643	1,003,592
Borrowings from banks in Sri Lanka	–	–	2,582,746	1,680,459
Refinance borrowings	4,891,794	4,709,635	4,891,794	4,709,635
	33,098,377	**61,297,895**	**35,767,123**	**63,213,865**
33 (a) Maturity of borrowings				
Not later than 1 year	28,738,695	56,886,113	31,227,321	58,802,083
Later than 1 year and not later than 5 years	1,924,890	2,373,175	2,105,009	2,373,175
Later than 5 years	2,434,792	2,038,607	2,434,793	2,038,607
	33,098,377	**61,297,895**	**35,767,123**	**63,213,865**

34. SECURITIES SOLD UNDER RE-PURCHASE AGREEMENTS				
Securities sold under re-purchase agreements	34,203,701	49,801,656	32,968,041	48,720,006
	34,203,701	**49,801,656**	**32,968,041**	**48,720,006**

The securities sold under re-purchase agreements are debt securities issued by the Bank for short term funding purposes and mature within a period of less than twelve months. The interest rate for such securities varied from 6.0% to 20.0% during the year 2009 (2008 - 9.0% to 21.6%).

35. INSURANCE PROVISION

35.1 Insurance Provision - Life

Long term insurance contract liabilities included in the Life Insurance Fund, result primarily from traditional non-participating life insurance products. Short duration contract liabilities are primarily accident and health insurance products.

The insurance provision has been established based upon the following:

(a) Interest rates that do not vary by product or year of assurance;

(b) Mortality rates based on published mortality tables; and

(c) Surrender rates based upon actual experience by geographic area and modified to allow for variations in policy form.

The valuation of the insurance provision - life insurance business, as at 31 December 2009 was done by Mr. R Kahakachchi for and on behalf of Actuarial & Management Consultants (Private) Limited. In accordance with the consultant actuary's report, a sum of Rs. 41,336,000/- (2008 - Rs. 28,842,000/-) is included as policy holders' liability in the life insurance provision.

35.2 Insurance Provision - Non Life

The non life insurance provision as shown in the Balance Sheet represents the following:

As at 31 December	2009 Rs. '000
Premium	
Unearned premium	
- Gross	168,911
- Reinsurance	(11,664)
Net	157,247
Deferred acquisition expense	(11,080)
	146,167
Claim reserve	
Claims outstanding	30,291
Claims incurred but not reported (IBNR)	5,111
	35,402
Total provision	**181,569**

Note

Directors are of the opinion that the total of future claims and related expenses will not exceed the unearned premium and premium related to unexpired risks.

36. DEFERRED TAX LIABILITY

Deferred tax liability is calculated on all temporary differences under the liability method using a principal tax rate of 35% (2008 - 35%). The deferred tax liability arising on accelerated capital allowances on property, plant & equipment and assets leased to customers exceed the temporary differences on the unused tax losses and gratuity provisions. The deferred tax assets arising from unused tax losses and gratuity provision have been fully recognised at Balance Sheet date as the Management is of the view that the deferred tax assets arising from unused tax losses and gratuity provision could be reversed within a reasonable period. This will also present the effective tax liability correctly in the Financial Statements.

The unused tax losses reported from the Bank was fully utilised during the year 2007 and therefore no deferred tax asset was recognised for unused tax losses after the year 2007.

36. DEFERRED TAX LIABILITY *(CONTD.)*

The movement of the deferred tax liability/(asset) is as follows:

For the year ended 31 December	Bank 2009 Rs. '000	Bank 2008 Rs. '000	Group 2009 Rs. '000	Group 2008 Rs. '000
36.1 Balance at 01 January	506,531	(59,706)	565,697	26,557
Reversal of deferred tax on general provision	–	436,066	–	436,066
Balance at 01 January (as restated)	506,531	376,360	565,697	462,623
Add/(Less):				
Deferred tax originated/(reversed) during the year				
Capital allowance on property, plant & equipment	(6,174)	(9,284)	(715)	(11,664)
Capital allowance on assets leased to customers	(64,531)	164,277	(38,878)	135,217
Unused tax losses and general provision	–	–	(58,339)	8,823
Provision for gratuity	(26,373)	(24,822)	(27,633)	(29,302)
Net amount charged to/(released from) income statement	(97,078)	130,171	(125,565)	103,074
Balance at 31 December	**409,453**	**506,531**	**440,132**	**565,697**

The details of deferred tax assets & liabilities are given below:

As at 31 December	2009 Temporary difference Rs. '000	2009 Tax liability Rs. '000	2008 Temporary difference Rs. '000	2008 Tax liability Rs. '000
36.2 Deferred tax liability/(asset)				
Bank				
Deferred tax liability	1,438,739	503,559	1,640,752	574,263
Deferred tax asset	(268,873)	(94,106)	(193,520)	(67,732)
Net deferred tax liability	**1,169,866**	**409,453**	**1,447,232**	**506,531**
Group				
Deferred tax liability	1,441,830	504,641	1,722,295	602,803
Deferred tax asset	(184,311)	(64,509)	(106,017)	(37,106)
Net deferred tax liability	**1,257,519**	**440,132**	**1,616,278**	**565,697**

As at 31 December	Bank 2009 Rs. '000	Bank 2008 Rs. '000	Group 2009 Rs. '000	Group 2008 Rs. '000
37. OTHER LIABILITIES				
Accrued interest payable	11,662,658	9,617,398	12,094,495	9,796,309
Payable to employees & suppliers	2,052,534	1,361,770	2,052,534	1,361,770
Cheques sent on clearing	1,000,299	900,825	1,000,299	900,825
Lease creditors				
- Within 12 months	12,432	5,287	12,432	5,287
- Later than 12 months	21,387	18,693	21,387	18,693
Provision for gratuities (Note 37.1)	272,620	202,392	379,910	295,152
Other liabilities	3,767,210	2,424,884	4,066,534	2,767,427
	18,789,140	**14,531,249**	**19,627,591**	**15,145,463**
37.1 Provision for gratuities				
Balance at 01 January	202,392	122,598	295,152	205,739
Provision made during the year	70,228	83,322	88,868	98,342
Payment made during the year	–	(3,528)	(4,110)	(8,929)
Balance at 31 December	**272,620**	**202,392**	**379,910**	**295,152**

As at 31 December	Bank 2009 Rs. '000	Bank 2008 Rs. '000	Group 2009 Rs. '000	Group 2008 Rs. '000
38. DEBENTURES				
Listed debentures				
Unsecured, subordinated, redeemable debentures of Rs. 100 each (public issue)	4,318,507	4,277,088	4,313,120	4,272,088
Unlisted debentures				
Unsecured redeemable debentures of Rs. 100 each (private placement)	8,700,000	8,700,000	9,330,000	9,400,000
Unsecured redeemable debentures of Rs. 100 each (private placement)	–	–	14,160	14,160
Unsecured, subordinated redeemable debentures of Rs. 100 each (private placement)	2,550,000	2,550,000	2,550,000	2,550,000
Secured, redeemable debentures of Rs. 100 each (private placement)	–	–	430,000	448,750
Unsecured, subordinated, redeemable debentures of US$ 1,000 each (private placement)	2,476,106	2,461,516	2,476,106	2,461,516
	18,044,613	**17,988,604**	**19,113,386**	**19,146,514**

38.(a) The movement in debentures issued was as follows:

Movement in debentures				
Balance at 01 January	17,988,604	9,150,000	19,146,514	10,576,260
Issued during the year	–	8,758,585	330,000	8,753,585
Redemptions	–	(200,000)	(418,750)	(463,350)
Interest capitalised*	41,419	280,019	41,419	280,019
Inter-company adjustment	–	–	(387)	–
Exchange rate adjustment	14,590	–	14,590	–
Balance at 31 December	**18,044,613**	**17,988,604**	**19,113,386**	**19,146,514**

** Interest payable on zero coupon debentures has been capitalised to the value of debentures.*

38 (b) Customer-wise analysis of debentures

Debentures issued to third parties				
Fixed interest rate				
Unsecured, subordinated, redeemable debentures	641,240	600,028	641,223	600,028
Floating interest rate				
Unsecured, subordinated, redeemable debentures	8,698,003	8,683,576	8,698,003	8,697,736
Unsecured, redeemable debentures	–	–	344,160	–
	9,339,243	**9,283,604**	**9,683,386**	**9,297,764**
Debentures issued to related entities of the Bank/Group				
Fixed interest rate				
Secured, subordinated, redeemable debentures	5,370	5,000	–	830,000
Floating interest rate				
Unsecured, redeemable debentures	8,700,000	8,700,000	9,000,000	8,700,000
Secured, redeemable debentures	–	–	430,000	318,750
	8,705,370	**8,705,000**	**9,430,000**	**9,848,750**
Total debentures issued	**18,044,613**	**17,988,604**	**19,113,386**	**19,146,514**

	Interest payable frequency	Issue date	Maturity date	Coupon rate		Effective annual yield		Amount as at 31 December			
								Bank		Group	
				2009 %	2008 %	2009 %	2008 %	2009 Rs. '000	2008 Rs. '000	2009 Rs. '000	2008 Rs. '000
38. DEBENTURES *(CONTD.)*											
38 (c) Type of debentures											
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	345,190	345,190	339,803	340,190
Unsecured, subordinated, redeemable debentures*	At maturity	24.11.2008	24.11.2013	–	–	18.18	17.61	273,927	232,508	273,927	232,508
								619,117	**577,698**	**613,730**	**572,698**
Floating interest rate											
Unsecured, subordinated, redeemable debentures [6 months TB rate (Gross) plus 75 basis points]*/**	Semi-annually	24.11.2008	24.11.2013	10.00	21.06	17.04	21.06	3,699,390	3,699,390	3,699,390	3,699,390
Unsecured, subordinated, redeemable debentures (6 months TB rate (Gross) plus 150 basis points]**	Semi-annually	31.12.2003	31.12.2011	10.15	19.96	16.69	20.52	250,000	250,000	250,000	250,000
Unsecured, subordinated, redeemable debentures [12 months TB rate (Gross) plus 70 basis points]***	Semi-annually	03.11.2005	03.11.2010	11.68	21.88	20.24	20.16	1,000,000	1,000,000	1,000,000	1,000,000
Unsecured, subordinated, redeemable debentures [12 months TB rate (Gross) plus 75 basis points]***	Semi-annually	27.10.2006	27.10.2011	12.11	21.93	20.16	20.25	1,000,000	1,000,000	1,000,000	1,000,000
Unsecured, subordinated, redeemable debentures [12 months TB rate (Gross) plus 100 basis points]***	Annually	15.08.2008	15.08.2013	14.31	21.74	18.14	21.74	300,000	300,000	300,000	300,000
Unsecured, redeemable, debentures [12 months TB rate (Gross)]***	Annually	17.11.2006	17.11.2011	11.36	21.18	19.41	19.44	1,200,000	1,200,000	1,200,000	1,200,000
Unsecured, redeemable, debentures [12 months TB rate (Gross)]***	Annually	10.01.2007	10.01.2012	20.27	21.96	20.40	21.78	1,500,000	1,500,000	1,500,000	1,500,000
Unsecured, redeemable, debentures [12 months TB rate (Gross)]***	Annually	12.03.2007	12.03.2012	19.66	21.12	20.58	20.05	1,000,000	1,000,000	1,000,000	1,000,000
Unsecured, redeemable, debentures [12 months TB rate (Gross) plus 50 basis points]***	Annually	03.10.2007	03.10.2012	12.82	21.68	19.51	20.20	1,000,000	1,000,000	1,000,000	1,000,000
Unsecured, redeemable, debentures [12 months TB rate (Gross) plus 50 basis points]***	Annually	01.11.2007	01.11.2012	11.48	21.68	19.99	19.91	1,500,000	1,500,000	1,500,000	1,500,000

	Interest payable frequency	Issue date	Maturity date	Coupon rate		Effective annual yield		Amount as at 31 December			
								Bank		Group	
				2009 %	2008 %	2009 %	2008 %	2009 Rs. '000	2008 Rs. '000	2009 Rs. '000	2008 Rs. '000
38. DEBENTURES *(CONTD.)*											
38 (c) Type of debentures *(Contd.)*											
Unsecured, redeemable, debentures [12 months TB rate (Gross) plus 50 basis points]***	Annually	01.11.2007	01.11.2012	11.48	21.68	19.99	19.91	500,000	500,000	500,000	500,000
Unsecured, redeemable, debentures [12 months TB rate (Gross) plus 50 basis points]***	Annually	01.04.2008	01.04.2013	18.80	21.61	19.54	21.61	500,000	500,000	500,000	500,000
Unsecured, redeemable, debentures [12 months TB rate (Gross) plus 50 basis points]***	Annually	01.04.2008	01.04.2013	18.80	21.61	19.54	21.61	1,500,000	1,500,000	1,500,000	1,500,000
Unsecured, redeemable, debentures [12 months TB rate (Gross) plus 200 basis points]***	Semi-annually	05.12.2009	05.12.2011	12.29	22.19	21.55	22.19	–	–	330,000	400,000
Unsecured, redeemable, debentures (36 months T Bond rate plus 110 basis points)	Semi-annually	05.10.2007	05.10.2010	17.85	17.85	17.36	17.65	–	–	300,000	300,000
Unsecured, redeemable debentures [12 months TB rate (Gross) plus 300 basis points]***	Semi-annually	31.03.2007	31.03.2010	17.00	17.00	16.31	16.85	–	–	14,160	14,160
Secured, redeemable debentures [6 months TB rate (Gross) plus 75 basis points]**	Quarterly	19.09.2006	19.09.2009	–	22.13	–	20.25	–	–	–	18,750
Secured, redeemable debentures [12 months TB rate (Gross) plus 100 basis points]***	Annually	10.01.2008	10.01.2010	22.22	22.96	22.23	22.96	–	–	430,000	430,000
								14,949,390	**14,949,390**	**16,023,550**	**16,112,300**
B - United States dollar debentures											
Fixed interest rate											
Unsecured, subordinated, redeemable debentures	Semi-annually	10.10.2008	10.10.2013	5.50	5.50	5.50	5.50	27,493	27,330	27,493	27,330
Floating interest rate											
Unsecured, subordinated, redeemable debentures (6 months LIBOR Plus 300 basis points)****	Semi-annually	10.10.2008	10.10.2013	4.69	7.11	4.74	7.11	2,448,613	2,434,186	2,448,613	2,434,186
								2,476,106	**2,461,516**	**2,476,106**	**2,461,516**
Total value of debentures								**18,044,613**	**17,988,604**	**19,113,386**	**19,146,514**

Notes

* *Debentures that are listed in the Colombo Stock Exchange were issued on 24 November 2008. Some of them have been traded in the Colombo Stock Exchange during the year 2009. (Highest price - Rs. 101/-, Lowest price - Rs. 100/-, Last transaction price - Rs. 101/-)*

** *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.*

As at 31 December	Bank 2009 Rs. '000	Bank 2008 Rs. '000	Group 2009 Rs. '000	Group 2008 Rs. '000
39. STATED CAPITAL				
Authorised				
50,000,000 ordinary shares	**50,000,000**	**50,000,000**	**50,000,000**	**50,000,000**
Issued and fully paid				
Balance at 01 January 5,000,000 ordinary shares	5,000,000	4,000,000	5,000,000	4,000,000
Issued during the year 1,000,000 ordinary shares	–	1,000,000	–	1,000,000
Balance at 31 December 5,000,000 ordinary shares	**5,000,000**	**5,000,000**	**5,000,000**	**5,000,000**
40. PERMANENT RESERVE FUND				
Balance at 01 January	2,585,000	2,515,000	2,585,000	2,515,000
Transfer during the year	65,000	70,000	65,000	70,000
Balance at 31 December	**2,650,000**	**2,585,000**	**2,650,000**	**2,585,000**

The permanent reserve fund is maintained as required by the 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 under the Banking Act until the reserve is equal to the paid up capital.

In order to meet the requirement, an amount of Rs. 65 million was transferred to the reserve during the year (2008 - Rs. 70 million).

The balance in the permanent reserve fund will be used only for the purposes specified in Section 20 (2) of the Banking Act No. 30 of 1988.

As at 31 December	Bank 2009 Rs. '000	Bank 2008 Rs. '000	Group 2009 Rs. '000	Group 2008 Rs. '000
41. RESERVES				
Capital reserves				
Revaluation reserve (Note 41.1)	125,299	126,961	178,692	180,354
	125,299	**126,961**	**178,692**	**180,354**
Revenue reserves				
Free reserve (Note 41.2)	169,067	169,067	366,644	366,644
Net exchange translation adjustment (Note 41.3)	606,163	545,766	606,163	545,766
Primary dealer special risk reserve (Note 41.4)	528,470	340,899	528,470	340,899
Other reserves	–	–	137,793	46,498
	1,303,700	1,055,732	1,639,070	1,299,807
	1,428,999	**1,182,693**	**1,817,762**	**1,480,161**
41.1 Revaluation reserve				
Balance at 01 January	126,961	129,404	180,354	182,797
Realised surpluses on disposal of property	(1,662)	(2,443)	(1,662)	(2,443)
Balance at 31 December	**125,299**	**126,961**	**178,692**	**180,354**

The revaluation reserve represents the surpluses arising on the revaluation of freehold properties, which are still in use for banking operations. According to the regulatory directives, the Bank can account for the revaluation surplus every seven years.

As at 31 December	Bank 2009 Rs. '000	Bank 2008 Rs. '000	Group 2009 Rs. '000	Group 2008 Rs. '000
41. RESERVES *(CONTD.)*				
41.2 Free reserve				
Balance at 01 January	169,067	122,404	366,644	319,981
Transfer from investment fluctuation reserve	–	46,663	–	46,663
Balance at 31 December	**169,067**	**169,067**	**366,644**	**366,644**

Free reserve has been created for unforeseeable risk and future losses.

41.3 Net exchange translation adjustment				
Balance at 01 January	545,766	769,741	545,766	769,741
Currency translation difference during the year	60,397	(223,975)	60,397	(223,975)
Balance at 31 December	**606,163**	**545,766**	**606,163**	**545,766**

This represents the exchange difference arising from translating investments made in the capital of foreign branches, and also exchange differences arising from translation of the results of overseas branches for this year from the average rate to the exchange rate ruling at the year end. If and when the investments in foreign branches are disposed, the exchange gain or loss will be recognised in the Income Statement.

As at 31 December	Bank 2009 Rs. '000	Bank 2008 Rs. '000	Group 2009 Rs. '000	Group 2008 Rs. '000
41.4 Primary dealer special risk reserve				
Balance at 01 January	340,899	306,325	340,899	306,325
Amount transferred during the year	187,571	34,574	187,571	34,574
Balance at 31 December	**528,470**	**340,899**	**528,470**	**340,899**

According to a direction issued by the Central Bank of Sri Lanka, primary dealers are required to transfer 25% of their profit after tax annually to a special risk reserve in order to strengthen capital base for further development of the Government securities market.

42. COMMITMENTS AND CONTINGENCIES

(a) Contingencies

In the normal course of business, the Bank undertakes commitments and exposures to 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 financing instruments generate interest or fees and carries elements of credit risk in excess of those amounts recognised as assets and liabilities in the Balance Sheet. However, no material losses are anticipated as a result of these transactions.

These commitments are quantified below:

	Bank		Group	
As at 31 December	2009 Rs. '000	2008 Rs. '000	2009 Rs. '000	2008 Rs. '000
Acceptances and documentary credits	174,571,889	101,365,512	174,571,889	101,365,512
Bills for collection	3,114,649	2,843,382	3,114,649	2,843,382
Forward exchange contracts	27,928,577	23,053,498	27,928,577	23,053,498
Guarantees	40,427,298	37,423,263	40,498,766	37,475,439
Other commitments	202,235	127,025	202,235	127,025
	246,244,648	**164,812,680**	**246,316,116**	**164,864,856**

(b) The unutilised value of irrevocable commitments which cannot be withdrawn at the discretion of the Bank, without risk of incurring significant penalties or expenses approximates to Rs. 15,674 million as at the Balance Sheet date (2008 - Rs. 15,831 million).

43. CONTINGENT LIABILITIES AND COMMITMENTS

43.1(a) Capital commitments

Capital expenditure approved by the Directors for which no provision has been made in the Financial Statements, amounts to:

	Bank		Group	
As at 31 December	2009 Rs. '000	2008 Rs. '000	2009 Rs. '000	2008 Rs. '000
Approved and contracted for	920,972	425,000	920,972	425,000
Approved and not contracted for	332,740	251,000	332,740	251,000
	1,253,712	**676,000**	**1,253,712**	**676,000**

43.1(b) Operating lease commitments

Future minimum lease payments under non-cancellable operating leases where the Bank is the lessee are as follows:

	Bank		Group	
As at 31 December	2009 Rs. '000	2008 Rs. '000	2009 Rs. '000	2008 Rs. '000
Not later than 1 year	351,600	418,656	351,600	418,656
Later than 1 year and not later than 5 years	130,597	210,639	130,597	210,639
Later than 5 years	32,500	–	32,500	–
	514,697	**629,295**	**514,697**	**629,295**

43.1(c) Financing lease commitments

Future minimum lease payments under non-cancellable financing leases where the Bank is the lessee are as follows:

	Bank		Group	
As at 31 December	2009 Rs. '000	2008 Rs. '000	2009 Rs. '000	2008 Rs. '000
Not later than 1 year	13,930	6,109	13,930	6,109
Later than 1 year and not later than 5 years	22,635	27,766	22,635	27,766
	36,565	**33,875**	**36,565**	**33,875**

43. CONTINGENT LIABILITIES AND COMMITMENTS *(CONTD.)*

43.1(d) Litigation

The Bank in the ordinary course of business faces litigation. Litigation is a process authorised by law, in a Court of Justice, or in any of the agencies set up by law, for the purpose of enforcing a right. It includes a case, dispute or lawsuit. The quantum may vary in a 'year on year' basis.

Apart from the usual Courts, there are Labour Tribunals, Human Rights Commission, Parliamentary Ombudsman and Financial Ombudsman.

Main litigation involves the recovery process wherein the Bank files cases against the defaulting customers, with a view to recover the debt through judicial process. Bank also possesses 'extra judicial process' which is called 'Parate Proceedings' to recover debts secured by mortgages. Usually the defaulter in mortgage secured debts goes to courts and commences litigation in order to delay or prevent the Bank from auctioning the mortgaged property. These cases are usually reflected in the Bank's documents as 'against the Bank cases'.
Most of the cases are decided in favour of the Bank, some by negotiations and many by full throttle litigation. The few exceptional cases are against the Bank, which are financially insignificant. Usually with a large number of employees there are usual worker disputes and the Bank is not an exception. However most of the Worker Disputes before the Labour Tribunal and other agencies like Human Rights Commission, Parliamentary Ombudsman are amicably settled or mostly decided in favour of the Bank.

Most of the litigation is presently handled by the in-house legal officers without retaining external counsel. A few are referred to the Attorney-General's Department or to Private Counsel.

All the outstanding cases, disputes and lawsuits have been perused and followed up by us and we are of the opinion that they will not cause any material impact on the financial stability of the Bank and therefore no related provisions are made.

44. ASSETS PLEDGED AS SECURITY

The securities sold under repurchase agreement and debentures are 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:

	Bank		Group	
As at 31 December	2009 Rs. '000	2008 Rs. '000	2009 Rs. '000	2008 Rs. '000
Securities sold under re-purchase agreements	34,203,701	49,801,656	32,968,041	47,890,006
Debentures	–	–	16,782	830,000
Trust certificates	–	–	339,079	–
	34,203,701	**49,801,656**	**33,323,902**	**48,720,006**
Secured by:				
Treasury bills held by the Bank	3,510,263	1,210,500	3,510,263	1,210,500
Treasury bonds held by the Bank	30,693,438	48,165,000	30,693,438	48,165,000
Index linked bonds	4,298,045	5,420,000	4,298,045	5,420,000
Lease/hire purchase rentals receivable	–	–	355,861	–
	38,501,746	**54,795,500**	**38,857,607**	**54,795,500**

45. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

No material events have occurred since the Balance Sheet date which would require adjustments to, or disclosure in the Financial Statements.

46. MATURITIES OF ASSETS AND LIABILITIES

The table below analyses assets and liabilities in to relevant maturity groupings based on the remaining period at Balance Sheet date to the contractual maturity date.

	Up to 3 Months Rs. '000	3-12 Months Rs. '000	1-3 Years Rs. '000	3-5 Years Rs. '000	Over 5 Years Rs. '000	Total Rs. '000
46.1 Bank						
Interest earning assets						
Treasury bills, bonds and other eligible bills	15,406,245	13,329,151	–	–	–	28,735,396
Securities purchased under re-sale agreements	6,615,045	–	–	–	–	6,615,045
Placements with and loans to other banks	44,857,993	1,009,074	–	–	–	45,867,067
Treasury bonds maturing after one year	–	–	28,710,690	16,049,600	2,150,196	46,910,486
Investment securities	–	22,471,546	50,992,034	–	–	73,463,580
Bills of exchange	14,567,001	687,315	–	–	–	15,254,316
Loans & advances	84,686,304	72,919,979	22,956,587	21,748,931	43,290,483	245,602,284
Lease rentals receivable	781,573	1,139,142	2,059,563	228,308	205	4,208,791
Government of Sri Lanka - Restructuring Bonds	–	–	–	–	8,547,000	8,547,000
	166,914,161	111,556,207	104,718,874	38,026,839	53,987,884	475,203,965
Non interest earning assets						
Cash and short term funds	13,508,852	–	–	–	–	13,508,852
Balances with Central Banks	10,905,812	4,918,206	342,475	69,912	27,063	16,263,468
Dealing securities	1,827,869	–	–	–	–	1,827,869
Accrued interest and others	6,118,350	2,884,271	–	–	–	9,002,621
Investment securities	–	–	–	–	2,381,162	2,381,162
Investments in related companies	–	–	–	–	4,036,517	4,036,517
Property, plant & equipment	–	–	–	–	5,660,753	5,660,753
Leasehold land	–	–	–	–	63,290	63,290
Intangible assets	–	–	–	–	110,812	110,812
Other assets	3,462,403	251,547	–	–	6,467,878	10,181,828
	35,823,286	8,054,024	342,475	69,912	18,747,475	63,037,172
Total assets	**202,737,447**	**119,610,231**	**105,061,349**	**38,096,751**	**72,735,359**	**538,241,137**
Interest bearing liabilities						
Deposits from customers	218,972,321	123,566,244	8,604,433	1,756,476	679,941	353,579,415
Borrowed funds	28,257,530	481,165	918,080	1,006,810	2,434,792	33,098,377
Securities sold under re-purchase agreements	18,434,375	15,769,326	–	–	–	34,203,701
Debentures	–	1,000,000	7,950,000	9,094,613	–	18,044,613
	265,664,226	140,816,735	17,472,513	11,857,899	3,114,733	438,926,106
Non interest bearing liabilities						
Deposits from customers	55,028,027	–	–	–	–	55,028,027
Accrued interest payable	13,715,192	–	–	–	–	13,715,192
Deferred tax liability	–	96,478	290,334	22,641	–	409,453
Tax payable	–	189,824	–	–	–	189,824
Other liabilities	4,349,525	–	–	–	724,423	5,073,948
Shareholders' funds	–	–	–	–	24,898,587	24,898,587
	73,092,744	286,302	290,334	22,641	25,623,010	99,315,031
Total liabilities	**338,756,970**	**141,103,037**	**17,762,847**	**11,880,540**	**28,737,743**	**538,241,137**
Net liquidity gap - 2009	(136,019,523)	(21,492,806)	87,298,502	26,216,211	43,997,616	–
Net liquidity gap - 2008	(150,040,796)	(17,648,234)	53,121,536	72,197,969	42,369,525	–

46. MATURITIES OF ASSETS AND LIABILITIES *(CONTD.)*

46.1 Bank *(Contd.)*

Demand and savings deposits have been categorised as up to 3 months maturity group. However, a major part of these deposits represents a core retail deposit base with longer term maturity.

Bills of exchange, loans and advances and lease rentals receivables are shown net of interest in suspense and provision for bad and doubtful debts.

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Bank.

An unmatched position potentially enhances profitability, but also increases the risk of losses.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest bearing liabilities as they mature, are important factors in assessing the liquidity of the Bank and its exposure to changes in interest rates and exchange rates.

Liquidity requirements to support calls under guarantees and standby letters of credit are considerably less than the amount of the commitment because the Bank does not generally expect the third party to draw funds under the agreement. The total outstanding contractual amount of commitments to extend credit does not necessarily represent future cash requirements, since many of these commitments will expire or terminate without being funded.

	Up to 3 Months Rs. '000	3-12 Months Rs. '000	1-3 Years Rs. '000	3-5 Years Rs. '000	Over 5 Years Rs. '000	Total Rs. '000
46.2 Group						
Interest earning assets						
Treasury bills, bonds and other eligible bills	15,557,953	14,130,332	–	–	–	29,688,285
Securities purchased under re-sale agreements	6,667,925	–	–	–	–	6,667,925
Placements with and loans to other banks	44,857,993	1,029,074	–	–	–	45,887,067
Treasury bonds maturing after one year	–	–	28,710,692	16,049,600	2,150,194	46,910,486
Investment securities	32,409	22,655,172	51,150,662	5,000	–	73,843,243
Bills of exchange	15,013,347	687,544	–	–	–	15,700,891
Loans and advances	85,337,307	73,169,704	23,233,859	22,151,173	43,309,726	247,201,769
Lease rentals receivable	1,785,336	2,781,663	3,770,871	1,544,624	14,472	9,896,966
Government of Sri Lanka restructuring bonds	–	–	–	–	8,547,000	8,547,000
	169,252,270	114,453,489	106,866,084	39,750,397	54,021,392	484,343,632
Non interest earning assets						
Cash and short term funds	13,517,254	–	–	–	–	13,517,254
Balances with Central Banks	10,905,812	4,918,206	342,475	69,912	27,063	16,263,468
Dealing securities	2,137,383	–	–	–	–	2,137,383
Accrued interest and others	6,313,363	2,948,344	4,881	–	–	9,266,588
Investment securities	–	15,512	10	–	2,594,477	2,609,999
Investment properties	–	–	–	391,730	–	391,730
Investments in related companies	–	–	–	–	1,084,065	1,084,065
Property, plant & equipment	53,385	4,380	21,081	51,175	6,942,036	7,072,057
Leasehold land	–	–	–	–	107,110	107,110
Intangible assets	–	–	5,630	1,423	112,152	119,205
Other assets	3,540,928	355,992	45,352	–	6,565,788	10,508,060
	36,468,125	8,242,434	419,429	514,240	17,432,691	63,076,919
Total assets	**205,720,395**	**122,695,923**	**107,285,513**	**40,264,637**	**71,454,083**	**547,420,551**

	Up to 3 Months Rs. '000	3-12 Months Rs. '000	1-3 Years Rs. '000	3-5 Years Rs. '000	Over 5 Years Rs. '000	Total Rs. '000
46. MATURITIES OF ASSETS AND LIABILITIES *(CONTD.)*						
46.2 Group *(Contd.)*						
Interest bearing liabilities						
Deposits from customers	219,793,436	125,414,378	8,754,336	1,906,379	679,941	356,548,470
Borrowed funds	29,096,217	2,131,104	1,098,199	1,006,810	2,434,793	35,767,123
Securities sold under re-purchase agreements	17,198,715	15,769,326	–	–	–	32,968,041
Debentures	438,773	1,300,000	8,280,000	9,094,613	–	19,113,386
	266,527,141	144,614,808	18,132,535	12,007,802	3,114,734	444,397,020
Non-interest bearing liabilities						
Deposits from customers	54,911,112	–	–	–	–	54,911,112
Insurance provision - life	–	–	–	–	41,336	41,336
Insurance provision - non life	–	–	–	–	181,569	181,569
Accrued interest and expenditure	14,088,484	5,388	–	–	53,157	14,147,029
Deferred tax liability	–	31,969	290,334	46,356	71,473	440,132
Tax payable	–	287,650	–	–	–	287,650
Other liabilities	4,271,868	139,957	21,578	62,524	984,635	5,480,562
Shareholders' funds	–	–	–	–	27,534,141	27,534,141
	73,271,464	464,964	311,912	108,880	28,866,311	103,023,531
Total liabilities	**339,798,605**	**145,079,772**	**18,444,447**	**12,116,682**	**31,981,045**	**547,420,551**
Net liquidity gap - 2009	(134,078,210)	(22,383,849)	88,841,066	28,147,955	39,473,038	–
Net liquidity gap - 2008	(150,572,422)	(17,403,852)	54,369,145	74,635,517	38,971,612	–

47. RELATED PARTY DISCLOSURES

In 2009, the Group entered into transactions with its significant investor, Subsidiaries and Associate Companies and post-employment benefit plans for the Bank's employees. The transactions that have been carried out during the year 2009 include lending activities, acceptance and placements, Off-Balance Sheet transactions and provision of other banking and financial services. The interest, commissions and other fees on their transactions are determined on an arm's length basis.

47.1 Transactions with Key Management Personnel (KMPs)

According to Sri Lanka Accounting Standard 30 (Revised 2005) - 'Related Party Disclosure', the Key Management Personnel includes those who are having authority and responsibility for planning, directing and controlling the activities of the Bank and its Subsidiaries and Associates. The Board of Directors, Members of the Corporate Management of the Bank, key employees who are holding directorships in Subsidiaries and Associate Companies and their Close Family Members (CFMs) have been classified as Key Management Personnel of the Bank.

In addition, the Directors of Subsidiaries and Associates who are not nominee Directors of the Bank have also been included as KMPs of those respective Subsidiaries and Associates.

For the year ended 31 December	Bank		Group	
	2009 Rs. '000	2008 Rs. '000	2009 Rs. '000	2008 Rs. '000
47.1(a) Compensation to Key Management Personnel				
Short term employment benefits	79,550	78,744	81,386	83,914
Post-employment benefits	21,393	20,411	21,393	20,411
Post-employment benefits paid to past Directors	–	–	–	–
Total	**100,943**	**99,155**	**102,779**	**104,325**

For the year ended 31 December	Bank		Group	
	2009 Rs. '000	2008 Rs. '000	2009 Rs. '000	2008 Rs. '000
47.1(b) Transactions, arrangements and agreements involving Key Management Personnel, their Close Family Members (CFMs) and entities that are controlled, significantly influenced by the KMPs or their CFMs				
(a) Income Statement				
Interest earned	7,649	7,263	7,649	7,263
Interest paid	4,285	1,969	4,285	1,969
Payments made as shown in Note 47.1.(a)	100,943	99,155	102,779	104,325

As at 31 December	Bank		Group	
	2009 Rs. '000	2008 Rs. '000	2009 Rs. '000	2008 Rs. '000
(b) Balance Sheet				
Assets				
Loans & advances	94,536	128,936	94,536	128,936
Credit cards	1,947	2,603	1,947	2,603
	96,483	**131,539**	**96,483**	**131,539**
Liabilities				
Deposits	47,530	33,881	47,530	33,881
Debentures	40,980	40,244	40,980	40,244
	88,510	**74,125**	**88,510**	**74,125**
(c) Off-Balance Sheet items				
Commitments & contingencies				
Undrawn facilities	73,506	75,141	73,506	75,141
	73,506	**75,141**	**73,506**	**75,141**

47. RELATED PARTY DISCLOSURES *(CONTD.)*

47.2 Transactions with Subsidiaries and Associate Companies

47.2.1 Transactions with Subsidiaries and Associate Companies of the Bank

The Property Development PLC is a Subsidiary of the Bank and maintains and manages the Bank of Ceylon Head Office building at No. 4, Bank of Ceylon Mawatha, Colombo 01. The BOC Property Development & Management (Private) Limited, a wholly-owned Subsidiary of the Bank, maintains and manages two buildings in Colombo 03 and Kandy where a branch of the Bank and also principal place of business of another Subsidiary are located. Merchant Bank of Sri Lanka PLC, a Subsidiary of the Bank provides certain management services. The Ceybank Holiday Homes (Private) Limited, an indirectly fully-owned Subsidiary of the Bank, manages the holiday bungalows for the welfare of the Bank staff.

The Subsidiary of the Bank, Merchant Bank of Sri Lanka PLC has acquired two companies during the year namely, MBSL Savings Bank Limited engaged in savings activities and MBSL Insurance Company Limited engaged in insurance activities.

The aggregate amount of income and expenses arising from their 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 as follows:

For the year ended 31 December	Subsidiary Companies of the Bank		Associate Companies of the Bank	
	2009 Rs. '000	2008 Rs. '000	2009 Rs. '000	2008 Rs. '000
47.2.1 (a) Income Statement				
Interest earned	194,343	246,309	88,926	40,403
Interest paid	4,366	229,427	2	1,423
Other income	9,210	596	1,936	1,277
Expenses incurred	470,578	549,730	10,801	4,101

As at 31 December	Subsidiary Companies of the Bank		Associate Companies of the Bank	
	2009 Rs. '000	2008 Rs. '000	2009 Rs. '000	2008 Rs. '000
47.2.1 (b) Balance Sheet				
Assets				
Loans & advances	212,745	1,301,534	2,750,885	1,708,200
Other receivables	448,731	438,595	12,844	5,500
	661,476	**1,740,129**	**2,763,729**	**1,713,700**
Liabilities				
Deposits	328,140	1,112,858	42,968	67,315
Debentures	5,370	5,000	–	–
Other liabilities	1,369,280	60,994	89,209	–
	1,702,790	**1,178,852**	**132,177**	**67,315**
47.2.1 (c) Off-Balance Sheet items				
Commitments and contingencies				
Letters of credit	60,000	65,000	–	–
Guarantees	56,500	54,000	–	–
Undrawn facilities	147,985	49,165	28,435	30,000
Others	–	107,000	50,000	–
	264,485	**275,165**	**78,435**	**30,000**

For the year ended 31 December	Subsidiary Companies of the Bank		Associate Companies of the Bank	
	2009 Rs. '000	2008 Rs. '000	2009 Rs. '000	2008 Rs. '000

47.2.2 Transactions with Subsidiaries and Associate Companies of the Group

47.2.2 (a) Income Statement				
Interest earned	194,343	246,309	91,462	40,403
Interest paid	6,903	229,427	2	1,423
Other income	171,302	37,114	6,451	1,277
Expenses incurred	619,396	586,134	28,589	4,215

As at 31 December	Subsidiary Companies of the Bank 2009 Rs. '000	Subsidiary Companies of the Bank 2008 Rs. '000	Associate Companies of the Bank 2009 Rs. '000	Associate Companies of the Bank 2008 Rs. '000
47. RELATED PARTY DISCLOSURES *(CONTD.)*				
47.2.2 (b) Balance Sheet				
Assets				
Loans & advances	212,745	1,301,534	2,750,885	1,708,200
Other receivables	465,119	542,490	108,714	30,500
	677,864	**1,844,024**	**2,859,599**	**1,738,700**
Liabilities				
Deposits	328,140	1,112,858	42,968	67,315
Debentures	5,370	5,000	–	–
Other liabilities	1,467,272	106,911	103,475	82,977
	1,800,782	**1,224,769**	**146,443**	**150,292**
47.2.2 (c) Off-Balance Sheet items				
Commitments & contingencies				
Letters of credit	60,000	65,000	–	–
Guarantees	56,500	54,000	–	–
Undrawn facilities	147,985	49,165	28,435	30,000
Others	–	107,000	50,000	–
	264,485	**275,165**	**78,435**	**30,000**

For the year ended 31 December	Significant Investor 2009 Rs. '000	Significant Investor 2008 Rs. '000	Post-employment benefit plans 2009 Rs. '000	Post-employment benefit plans 2008 Rs. '000
47.3 Transactions with the significant investors having significant influence over Bank and the post-employment benefit plans for Bank's employees				
47.3 (a) Income Statement				
Interest earned	11,514,172	9,025,965	–	–
Interest paid	–	–	6,642,868	4,517,783
Contributions made	–	–	2,853,088	2,674,453

As at 31 December	Significant Investor 2009 Rs. '000	Significant Investor 2008 Rs. '000	Post-employment benefit plans 2009 Rs. '000	Post-employment benefit plans 2008 Rs. '000
47.3 (b) Balance Sheet				
Assets				
Loans & advances	64,557,521	56,000,050	–	–
Investment in bonds	81,050,009	77,785,811	–	–
	145,607,530	**133,785,861**	**–**	**–**
Liabilities				
Deposits	8,900,089	14,605,298	27,557,867	15,920,814
Debentures	–	–	9,900,000	9,900,000
	8,900,089	**14,605,298**	**37,457,867**	**25,820,814**
47.3 (c) Off-Balance Sheet items				
Letters of credit	53,886,192	27,264,325	–	–
Bills & acceptance	36,862,417	14,756,162	–	–
Guarantees	8,802,506	–	–	–
	99,551,115	**42,020,487**	**–**	**–**

48. RELATED PARTY TRANSACTIONS

48.1 Related party transactions

In 2009, the Bank entered into transactions with its related parties in the ordinary course of its activities including deposits, lending and other banking services. The interest rates, commission and other fees on these transactions are determined on an arm's length basis.

Name of related company	Name of executive/relationship	Nature of transaction	Limit Rs. '000	Amount outstanding as at 31.12.2009 Rs. '000	Security
48.1 (a) Associates					
Lanka Securities (Private) Limited	Mr. K Dharmasiri - *Director*	Current account	–	25,779	
		Repo balance	–	64,000	
		Overdraft	25,000	–	Treasury Bills
		Contingencies	50	–	
Mireka Capital Land (Private) Limited	Dr. Gamini Wickramasinghe - *Director*	Current account	–	US$ 0.3 (Rs. 34)	
	Mr. Raju Sivaraman - *Director* (Resigned with effect from 31.12.2009)	Current account	–	12,673	
	Ms. B C D Wijekulasuriya - *Alternate Director*	Term loan	US$ 24,000	US$ 24,000 (Rs. 2,749,320)	Time Deposit placed by Shing Kwan Investment (Singapore) Private Limited
	Mr. M R D Thilakasiri - *Alternate Director* (Ceased to be the altemate with effect from 31.12.2009)	Other receivable	–	12,809	
	Mr. W P R P H Fonseka - *Director*				
	Mr. T Mutugala - *Alternate Director*				
Southern Development Financial Company Limited	Mr. N Welengoda - *Director*	Savings account	–	36	
		Current account	–	51	
Transnational Lanka Record Solutions (Private) Limited	Mr. C Samarasinghe - *Chairman*	Overdraft	5,000	1,565	Mortgage over commercial property
	Mr. I D Weerasena - *Director*				
The Unit Trust Management Company (Private) Limited	Mr. B A C Fernando - *Director*	Current account	–	2,040	
	Mr. P A Lionel - *Alternate Director*	Repo balance	–	25,200	
		Other payable	–	9	
		Other receivable	–	35	
MBSL Savings Bank Limited	Mr. Janaka Rathnayake - *Chairman*	Current account	–	2,354	
48.1 (b) Subsidiaries					
Property Development PLC	Dr. Gamini Wickramasinghe - *Chairman*	Current account	–	1,965	
	Mr. Raju Sivaraman - *Director* (Resigned with effect from 31.12.2009)	Time deposit	–	112,000	
		Repo balance	–	989,140	
		Letter of credit	5,000	–	Related shipping document
		Rent paid in advance	–	209,328	
		Deposit for fuel	–	907	
		Other payable	–	110,547	
Merchant Bank of Sri Lanka PLC	Mr. Janaka Rathnayake - *Chairman*	Current account	–	39,361	
	Mr. V Kanagasabapathy - *Director*	Overdraft	50,000	11,615	
	Ms. W A Nalani - *Director*	Repo balance	–	35,000	
		Debentures	–	370	
		Term loan	26,250	26,250	Clean
		Series of loans	300,000	–	Lease receivable backed by Power of Attorney
		Money market loan	100,000	–	
		Grant on immediate credit on cheque limit	1,000	–	
		Intra day overdraft	5,000	–	
		Guarantee	2,500	2,500	

48. RELATED PARTY TRANSACTIONS *(CONTD.)*

48.1 (b) Subsidiaries *(Contd.)*

Name of related company	Name of executive/relationship	Nature of transaction	Limit Rs. '000	Amount outstanding as at 31.12.2009 Rs. '000	Security
BOC Management & Support Services (Private) Limited	Mr. B A C Fernando - *Chairman*	Current account	–	2,141	–
	Mr. M F S W Stembo - *Director*	Time deposit	–	1,200	
	Ms. L S L De S Wijeyeratne - *Director*	Other payable	–	440	
	Mr. J W P Mohotti - *Alternate Director*	Other receivable	–	106	
BOC Property Development & Management (Private) Limited	Mr. B A C Fernando - *Chairman*	Current account	–	564	
	Mr M Kiritharan - *Director*	Time deposit	–	46,850	
	Ms. S W S Fernando - *Director*	Repo balance	–	180,520	
	Ms. L T S De Silva - *Alternate Director* (Ceased to be the alternate with effect from 31.12.2009)	Other payable	–	22,495	
	Mr. P J Jayasinghe - *Director*				
BOC Travels (Private) Limited	Dr. Gamini Wickramasinghe - *Chairman*	Current account	–	17,202	
	Mr. B A C Fernando - *Director*	Time deposit	–	20,000	
	Ms. W A Nalani - *Alternate Director*	Debentures	–	5,000	
	Ms. Deepa Wanniaratchi - *Director*	Overdraft	9,600	–	Book Debts
	Mr. M K Muthukumar - *Director*	Letter of guarantee	50,000	50,000	Indemnity of Directors
Hotels Colombo (1963) Limited	Dr. Buddhadasa Kaluarachchi - *Chairman*	Current account	–	5,695	
	Mr. G K A Chaminda K Kularatne - *Director*	Time deposit	–	31,085	
	Mr. Gunaratna Gallage - *Director* (Resigned with effect from 31.12.2009)	Other receivable	–	110,195	
	Mr. B A C Fernando - *Director*				
	Mr. M K Nandasiri - *Director*				
	Mr. M P R Kumara - *Director*				
Merchant Credit of Sri Lanka Limited	Mr. Janaka Rathnayake - *Chairman*	Current account	–	36,964	
	Dr. Buddhadasa Kaluarachchi - *Director*	Time deposit	–	15	
	Mr. H M A B Weerasekara - *Director*	Repo balance	–	14,000	
	Ms. Sriyani Anandagoda - *Director*	Reverse Repo balance	–	127,000	
		Overdraft	50,000	–	Lease receivable backed by Power of Attorney
		Series of loans	250,000	–	
		Money market loan	50,000	30,000	
		Bridging finance	100,000	–	
		Letter of credit	10,000	–	
		Letter of guarantee	4,000	–	
Ceylease Financial Services Limited	Dr. Gamini Wickramasinghe - *Chairman* (Resigned with effect from 31.12.2009)	Current account	–	6,381	
		Repo balance	–	17,000	
	Mr. Raju Sivaraman - *Director*	Overdraft	50,000	–	Clean
	Ms. K A D Fernando - *Director*	Series of loans	450,000	58,880	Lease receivable/ hire purchase receivable backed by Power of Attorney
		Bridging finance	100,000	–	
		Money market loan	350,000	86,000	Clean
		Letter of credit	50,000	–	Bills of exchange & shipping documents
		Other receivable	–	615	
Ceybank Holiday Homes (Private) Limited	Dr. Gamini Wickramasinghe - *Chairman*	Current Account	–	2,585	
	Mr. B A C Fernando - *Director*	Time Deposit	–	75	
	Mr. W D F Wimalaratne - *Director*	Other Receivable	–	580	
	Mr. D M Gunasekera - *Director*	Other Payable	–	138	
	Ms. K A D A Premadasa - *Director*				
	Ms. J S Siriwardane - *Director*				
	Mr. K Dharmasiri - *Alternate Director*				
MBSL Insurance Company Limited	Mr. Janaka Rathnayake - *Chairman*	Current account	–	4,057	
	Mr. G K A Chaminda K Kularatne - *Director*				

Name of related company	Name of executive/relationship	Nature of transaction	Limit Rs. '000	Amount outstanding as at 31.12.2009 Rs. '000	Security
48. RELATED PARTY TRANSACTIONS *(CONTD.)*					
48.1 (c) Other Entities					
Credit Information Bureau of Sri Lanka	Mr. B A C Fernando - *Director*	Bank has contributed towards the capital	–	2,700	Company shares
Kandurata Development Bank	Mr. D L C Attapattu - *Director*	Bank has contributed towards the capital	–	12,000	Company shares
Rajarata Development Bank	Mr. D N J Costa - *Director*	Bank has contributed towards the capital	–	12,000	Company shares
Ruhunu Development Bank	Mr. N Welengoda - *Director*	Bank has contributed towards the capital	–	12,000	Company shares
Sabaragamuwa Development Bank	Mr. H K W Gunasinghe - *Director*	Bank has contributed towards the capital	–	12,000	Company shares
Wayamba Development Bank	Mr. H M Mudiyanse - *Director*	Bank has contributed towards the capital	–	12,000	Company shares
Uva Development Bank	Mr S S S Senanayake - *Director*	Bank has contributed towards the capital	–	12,000	Company shares
Lanka Clear (Private) Limited	Mr. B A C Fernando - *Director*	Bank has contributed towards the capital	–	21,000	Company shares
Lanka Financial Services Bureau Limited	Mr. B A C Fernando - *Director*	Bank has contributed towards the capital	–	2,250	Company shares
Informatics Group of Companies	Dr. Gamini Wickramasinghe - *Managing Director*	Savings account	–	US$ 16 (Rs. 1,854)	
		Savings account	–	14	
		Current account	–	9,555	
		Time deposit	–	US$ 454 (Rs. 52,008)	
		Overdraft	45,600	46,369	
		Term loan	17,300	6,343	Mortgage over commercial property
		Letter of guarantee	9,600	2,314	
		Letter of guarantee	USD 1,778	US$ 1,778 (Rs. 203,679)	Balance in NRFC savings account
		Procurement transaction value excluding taxes	–	46,556	
De La Rue Lanka Securities & Currency Print (Private) Limited	Dr. R H S Samaratunga - *Director* Mr. V Kanagasabapathy - *Director*	Savings account	–	GBP 217 (Rs. 39,463)	
		Current account	–	7,091	
		Current account	–	GBP 170 (Rs. 30,915)	
		Time deposit	–	13,803	
		Overdraft	30,000	14,256	Mortgage over commercial property
		Letter of credit	43,220	38,631	Related shipping documents
		Letter of guarantee	30,043	7,690	Time deposits

Name of related company	Name of executive/relationship	Nature of transaction	Limit Rs. '000	Amount outstanding as at 31.12.2009 Rs. '000	Security
48. RELATED PARTY TRANSACTIONS *(CONTD.)*					
48.1 (c) Other Entities *(Contd.)*					
Hotel Developers Limited	Mr. V Kanagasabapathy - *Director*	Savings account	–	US$ 3 (Rs. 357)	
		Savings account	–	JPY 1 (Rs. 1)	
		Current account	–	4,531	
		Term loan (Granted under SRCC & T fund)	350,000	113,750	Treasury guarantee
Mihin Lanka (Private) Limited	Dr. R H S Samaratunga - *Director*	Current account	–	US$ 145 (Rs. 16,610)	
		Current account	–	47,434	
		Letter of credit	US$ 13,500	US$ 13,300 (Rs. 1,523,582)	Treasury guarantee
Arch-Triad Consultants (Private) Limited	Mr. Raju Sivaraman - *Managing Director*	Consultancy services value	–	10,997	
Ceybank Century Growth Fund		Bank has invested in units/mutual funds	–	88,413	
UTMCL - Seed Funds		Bank has invested in units/mutual funds	–	42,000	
Ceybank Unit Trust		Bank has invested in units/mutual funds	–	980,312	

49. 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.

49.1 Business segments - Group

Business segments provide products and services whose risk and returns are different from other segments. These segments comprise banking, leasing, treasury & investments, property and insurance.

	Banking		Leasing		Treasury & investments	
	2009 Rs. '000	2008 Rs. '000	2009 Rs. '000	2008 Rs. '000	2009 Rs. '000	2008 Rs. '000
Revenue from external customers:						
Interest	34,576,213	32,906,780	–	–	17,967,866	15,953,873
Exchange	133,794	576,611	–	–	1,433,122	2,309,930
Lease income	–	72,607	2,223,902	2,481,202	–	–
Commissions	4,205,758	4,134,815	–	–	309	–
Other	1,944,079	1,670,410	14,895	13,747	2,179,831	1,216,532
Total revenue	40,859,844	39,361,223	2,238,797	2,494,949	21,581,128	19,480,335
Segment result	5,471,418	4,688,890	331,775	537,548	4,954,048	3,775,763
Unallocated expenses	–	–	–	–	–	–
Profit from operations	–	–	–	–	–	–
Income from Associates	–	–	–	–	–	–
Income tax expense	–	–	–	–	–	–
Minority interest	–	–	–	–	–	–
Profit attributable to equity holders/parent	–	–	–	–	–	–
Segment assets	291,142,789	290,346,831	10,248,862	12,295,098	224,500,023	172,040,811
Investment in Associates	–	–	–	–	–	–
Unallocated assets	–	–	–	–	–	–
Total assets	291,142,789	290,346,831	10,248,862	12,295,098	224,500,023	172,040,811
Segment liabilities	283,705,482	288,894,871	7,628,940	8,705,707	195,992,992	139,461,870
Unallocated liabilities	–	–	–	–	–	–
Total liabilities	283,705,482	288,894,871	7,628,940	8,705,707	195,992,992	139,461,870
Cash flows from operating activities	63,685,347	21,568,460	364,099	342,460	39,789,797	8,924,898
Cash flows from investing activities	–	–	–	–	(21,604,865)	(66,670,346)
Cash flows from financing activities	(16,142,474)	16,975,231	–	–	(26,925,556)	9,461,060
Capital expenditure	(1,440,020)	(649,296)	–	–	–	–

Property		Insurance		Other non banking/unallocated		Total	
2009 Rs. '000	2008 Rs. '000	2009 Rs. '000	2008 Rs. '000	2009 Rs. '000	2008 Rs. '000	2009 Rs. '000	2008 Rs. '000
236,012	178,366	19,870	–	144,050	–	52,944,011	49,039,019
–	–	–	–	–	–	1,566,916	2,886,541
–	–	–	–	111,133	–	2,335,035	2,553,809
10,735	5,949	89,187	–	11,015	86	4,317,004	4,140,850
552,312	637,659	22,946	–	251,165	268,768	4,965,228	3,807,116
799,059	821,974	132,003	–	517,363	268,854	66,128,194	62,427,335
508,514	563,924	(49,766)	–	78,217	22,038	11,294,206	9,588,163
–	–	–	–	–	–	(6,704,949)	(3,786,823)
–	–	–	–	–	–	4,589,257	5,801,340
–	–	–	–	–	–	130,653	63,371
–	–	–	–	–	–	(1,402,987)	(1,915,912)
–	–	–	–	–	–	(17,050)	(78,418)
–	–	–	–	–	–	3,299,873	3,870,381
7,488,276	7,523,163	449,365	–	263,082	255,229	534,092,397	482,461,134
–	–	–	–	–	–	1,084,065	956,370
–	–	–	–	–	–	12,244,089	8,331,732
7,488,276	7,523,163	449,365	–	263,082	255,229	547,420,551	491,749,234
4,770,049	4,235,552	311,822	–	200,329	199,829	492,609,614	441,497,829
–	–	–	–	–	–	27,276,796	24,703,961
4,770,049	4,235,552	311,822	–	200,329	199,829	519,886,410	466,201,790
(47,676)	(61,505)	16,166	–	(3,504,659)	(57,731)	100,303,074	30,716,582
118,740	218,329	(118,895)	–	–	–	(21,605,020)	(66,452,018)
–	–	99,700	–	(1,465,789)	7,693,368	(44,434,119)	34,129,659
(47,486)	(149,916)	–	–	–	–	(1,487,506)	(799,212)

49. FINANCIAL REPORTING BY SEGMENT *(CONTD.)*

49.2 Geographical segments

Geographical segments provide products or services within a particular economic environment where risk and returns are different from those of other economic environment.

These segments comprise domestic operations, Off-Shore Banking Divisions and Off-Shore Banking Units (Branches).

	Bank				Group			
	2009 Rs. '000	%	2008 Rs. '000	%	2009 Rs. '000	%	2008 Rs. '000	%
Assets								
Domestic Banking	482,749,753	89.7	408,487,817	84.3	491,929,167	89.9	415,860,793	84.6
Off-Shore Banking Division	30,787,764	5.7	58,417,265	12.1	30,787,764	5.6	58,417,265	11.9
Off-Shore Banking Units	24,703,620	4.6	17,471,176	3.6	24,703,620	4.5	17,471,176	3.5
	538,241,137	**100.0**	**484,376,258**	**100.0**	**547,420,551**	**100.0**	**491,749,234**	**100.0**
Gross Income								
Domestic Banking	54,376,215	85.7	49,193,511	81.7	57,043,043	86.3	51,439,035	82.4
Off-Shore Banking Division	7,683,187	12.1	8,816,220	14.7	7,683,187	11.6	8,816,220	14.1
Off-Shore Banking Units	1,401,964	2.2	2,172,080	3.6	1,401,964	2.1	2,172,080	3.5
	63,461,366	**100.0**	**60,181,811**	**100.0**	**66,128,194**	**100.0**	**62,427,335**	**100.0**
Profit Before Tax								
Domestic Banking	1,144,944	27.3	996,368	19.0	1,657,207	35.1	1,630,472	27.8
Off-Shore Banking Division	2,459,186	58.4	3,258,466	62.3	2,459,186	52.1	3,258,466	55.6
Off-Shore Banking Units	603,517	14.3	975,773	18.7	603,517	12.8	975,773	16.6
	4,207,647	**100.0**	**5,230,607**	**100.0**	**4,719,910**	**100.0**	**5,864,711**	**100.0**
Profits After Tax								
Domestic Banking	1,095,304	35.5	642,820	18.1	1,328,221	40.0	1,030,638	26.1
Off-Shore Banking Division	1,585,283	51.4	2,199,444	61.7	1,585,283	47.8	2,199,444	55.7
Off-Shore Banking Units	403,419	13.1	718,717	20.2	403,419	12.2	718,717	18.2
	3,084,006	**100.0**	**3,560,981**	**100.0**	**3,316,923**	**100.0**	**3,948,799**	**100.0**

Capital Adequacy Ratio (CAR) is the amount of minimum capital which should be maintained by the banks, against their total Risk Weighted Assets (RWA).

CAR = Capital/Total Risk-Weighted Assets X 100

Central Bank of Sri Lanka has issued instructions to all commercial banks to calculate the CAR as per the Basel II guidelines with effect from 01 January 2008. Basel II is an improved version of Basel I issued by the "Basel Committee of the Bank of International Settlement (BIS)". BIS is incorporated in the city of Basel - Switzerland.

The single pillar framework of Basel I has been improved to a three pillar framework under Basel II. Computation of regulatory capital against credit and market risk were the only factors that have been considered under Basel I. In three pillar framework under the Basel II following are considered:

1. Computation of regulatory capital against credit, market and operational risk.
2. Supervisory review by the Central Bank on the total capital requirements of the Bank, in particular the additional capital requirements if any, on risks not covered in pillar 1. (i.e., interest rate risk, liquidity risk etc.) and strategies on capital management.
3. Disclosure requirements on capital adequacy, enabling the market forces to react, aimed at imposing market discipline on banks.

There are two Tiers of capital which required banks to maintain two CARs, named Tier I CAR and Tier I plus Tier II CAR. All commercial banks are required to maintain a minimum of 5% of Tier I CAR and minimum of 10% of Tier I plus Tier II CAR.

TIER I CAPITAL OF THE BANK

Tier I capital is calculated by the summation of the paid up ordinary share capital and other capital and revenue reserves after deducting the total of intangible assets, half of the amount invested in shares and debentures of bank and financial companies.

Tier I capital as at 31 December 2009 for the Bank was Rs. 23,192 million (2008 - Rs. 22,186 million) and for the Group was Rs. 26,201 million (2008 - Rs. 25,084 million).

TIER II CAPITAL OF THE BANK

Tier II Capital is calculated by the summation of the half of the revaluation reserves (subject to Central Bank approval), general provisions of loans and advances (maximum up to 1.25% of the total RWA) and approved subordinated term debts (maximum of 50% of Tier I capital) after deducting the half of the amount invested in shares and debentures of banks and financial companies.

Tier II capital as at 31 December 2009 for the Bank was Rs. 6,090 million (2008 - Rs. 9,033 million) and for the Group was Rs. 6,809 million (2008 - Rs. 9,547 million).

Credit Risk - The Standardised Approach

Under the Standardised Approach the ratings assigned to customers and exposures by External Credit Assessment Institutions (ECAIs) are applied to measure the credit risk. The applicable risk weights vary from 0% to 150%.

Assets	Bank 2009 Assets Rs. million	Bank 2009 Risk-weighted assets Rs. million	Bank 2008 Assets Rs. million	Bank 2008 Risk-weighted assets Rs. million	Group 2009 Assets Rs. million	Group 2009 Risk-weighted assets Rs. million	Group 2008 Assets Rs. million	Group 2008 Risk-weighted assets Rs. million
Computation of Risk-Weighted Assets								
On-balance sheet exposures								
Claims on Government of Sri Lanka and Central Bank of Sri Lanka	244,380	–	226,453	–	245,386	–	226,933	–
Claims on foreign sovereigns and their Central Banks	5,433	4,665	4,472	4,217	5,433	4,665	4,472	4,217
Claims on Public Sector Entities (PSEs)	126	126	831	831	126	126	831	831
Claims on banks	51,467	20,014	21,774	7,647	51,487	20,034	21,784	7,657
Claims on financial institutions	1,665	1,407	5,223	3,898	1,665	1,407	5,223	3,898
Claims on corporates	57,328	56,721	67,002	65,625	64,085	63,479	72,137	70,749
Retail claims	27,802	23,602	16,953	12,715	27,802	23,602	16,953	12,715
Claims secured by residential property	15,853	11,119	16,111	11,297	15,853	11,119	16,111	11,297
Non performing assets (NPAs)	7,500	9,266	5,979	7,625	7,500	9,266	5,967	7,625
Cash items	13,423	1,084	10,025	641	13,432	1,084	10,072	641
Exposures collateralised by cash, gold & government securities	96,230	–	93,793	–	96,230	–	93,793	–
Property, plant & equipment	5,724	5,724	5,019	5,019	7,188	7,188	6,482	6,482
Other assets	11,419	11,420	11,334	11,334	12,788	12,789	12,603	12,603
Total on-balance sheet exposure	538,350	145,148	484,969	130,849	548,975	154,759	493,361	138,715
Off-balance sheet exposures								
Direct credit substitutes	14,449	14,449	20,753	20,753	14,449	14,449	20,753	20,753
Transaction related contingencies	179,969	6,437	93,765	11,513	179,969	6,437	93,765	11,513
Short term self liquidating trade related contingencies	9,053	1,786	27,241	1,362	9,053	1,786	27,241	1,362
Other commitments with an original maturity of up to one year or which can be unconditionally cancelled at any time	14,846	–	15,831	–	14,917	–	15,831	–
Foreign exchange contracts	27,928	558	23,054	462	27,928	558	23,054	462
Total off-balance sheet exposure	246,245	23,230	180,644	34,090	246,316	23,230	180,644	34,090
Total risk-weighted assets for credit risk		168,378		164,939		177,989		172,805

MARKET RISK – THE STANDARDISED MEASUREMENT APPROACH

Market risk is defined as the risk of losses in On-balance sheet and Off-Balance Sheet items arising from the movements in the market prices. It measures the market risks pertaining to interest rate related instruments, equities of the trading book, foreign exchange and gold positions.

Accordingly, the banks measure market risk by summation of interest rate sensitivity risk, equity instrument price sensitivity risk, foreign exchange and gold price sensitivity risk.

	Bank		Group	
	2009 Rs. '000	2008 Rs. '000	2009 Rs. '000	2008 Rs. '000
Capital charge for market risk				
Item				
Capital charge for interest rate risk	511,243	303,921	511,243	303,921
Capital charge for equity	305,667	25,350	305,667	25,350
Capital charge for foreign exchange & gold	5,932	32,851	5,932	32,851
Total capital charge for market risk	822,842	362,122	822,842	362,122
Total risk weighted assets for market risk	8,228,420	3,621,220	8,228,420	3,621,220

OPERATIONAL RISK - THE BASIC INDICATOR APPROACH

Operational risk is defined as the loss resulting from inadequate or failed internal processes, people, systems or any other internal or external events. Under the Basic Indicator Approach the Bank maintains capital for operational risk at 15% on the average positive income of the three immediately preceding years. The negative values are excluded from the calculation, if any.

		Bank		Group	
	Year	2009 Rs. '000	2008 Rs. '000	2009 Rs. '000	2008 Rs. '000
Capital charge for operational risk					
Gross income					
	2006	–	16,866,527	–	17,715,678
	2007	17,693,645	17,693,645	18,859,716	18,859,716
	2008	21,383,027	21,383,027	22,526,308	22,526,308
	2009	21,272,071	–	22,453,180	–
Total income		60,348,743	55,943,199	63,839,204	59,101,702
Average gross income		**20,116,248**	**18,647,733**	**21,279,735**	**19,700,567**
Total capital charge for operational risk - (15%)		3,017,437	2,797,160	3,191,960	2,955,085
Total risk weighted assets for operational risk		30,174,372	27,971,600	31,919,602	29,550,851

CAPITAL ADEQUACY

	Bank		Group	
	2009 Rs. million	2008 Rs. million	2009 Rs. million	2008 Rs. million
Computation of capital				
TIER I: core capital				
Paid-up ordinary shares/common stock/assigned capital	5,000	5,000	5,000	5,000
Statutory reserve fund	2,650	2,585	2,650	2,585
Published retained profits/(accumulated losses)	16,007	14,335	16,901	15,827
General and other reserves	1,116	1,056	1,563	1,300
Minority interests (consistent with the above capital constituents)	–	–	951	655
Less:	–		–	
Other intangible assets	(111)	(233)	(111)	(242)
Advances granted to employees of the Bank for the purchase of shares of the bank (ESOP)	–			
50% of the investments in the capital of other banks and financial institutions	(1,470)	(557)	(753)	(41)
Total eligible core capital (TIER I Capital)	**23,192**	**22,186**	**26,201**	**25,084**
TIER II: supplementary capital				
Revaluation reserves (as approved by Central Bank of Sri Lanka)	63	63	63	63
General provisions	1,914	1,937	1,914	1,937
Approved subordinated term debt	5,584	7,589	5,584	7,589
Less:				
50% of the investments in the capital of other banks and Financial Institutions	(1,471)	(556)	(752)	(42)
Total eligible supplementary capital (TIER II Capital)	**6,090**	**9,033**	**6,809**	**9,547**
Total capital base	**29,282**	**31,219**	**33,010**	**34,631**
Computation of ratios				
Total risk-weighted assets				
Total risk-weighted assets for credit risk	168,378	164,939	177,989	172,805
Total risk-weighted assets for market risk	8,228	3,621	8,228	3,621
Total risk-weighted assets for operational risk	30,174	27,972	31,920	29,551
Sub Total	**206,780**	**196,532**	**218,137**	**205,977**
Total eligible core capital (TIER 1 Capital)	23,192	22,186	26,201	25,084
Total eligible supplementary capital (TIER II Capital)	6,090	9,033	6,809	9,547
Total Capital Base	**29,282**	**31,219**	**33,010**	**34,631**
Core capital ratio (minimum requirement 5%)				
Total eligible core capital (TIER I Capital)	23,192	22,186	26,201	25,084
Total risk-weighted assets	206,781	196,532	218,137	205,977
Core capital ratio	**11.22%**	**11.29%**	**12.01%**	**12.18%**
Total capital ratio (minimum requirement 10%)				
Total capital base	29,282	31,219	33,010	34,631
Total risk-weighted assets	206,781	196,532	218,137	205,977
Capital adequacy ratio	**14.16%**	**15.88%**	**15.13%**	**16.81%**

INCOME STATEMENT - US$

For the year ended 31 December	Bank 2009 US$ '000	Bank 2008 US$ '000	Group 2009 US$ '000	Group 2008 US$ '000
Income	553,982	528,467	577,262	548,185
Interest income	463,330	436,283	482,555	453,046
Interest expense	(334,048)	(316,024)	(344,724)	(324,909)
Net interest income	129,282	120,259	137,831	128,137
Fee and commission income	36,825	35,865	37,685	36,362
Fee and commission expenses	(4,644)	(5,525)	(4,697)	(5,594)
Net fee and commission income	32,181	30,340	32,988	30,768
Foreign exchange profit	13,678	25,347	13,678	25,347
Dividend income	3,037	3,518	1,313	1,997
Net gains from investment securities	17,120	5,101	17,567	5,118
Other operating income	6,897	8,303	10,175	11,559
Operating income	202,195	192,868	213,552	202,926
Operating Expenses				
Personnel costs	(70,776)	(61,274)	(74,832)	(63,985)
Staff retirement benefits	(21,035)	(20,149)	(21,190)	(20,381)
Premises, equipment and establishment expenses	(23,377)	(22,548)	(21,747)	(20,179)
Other operating expenses	(21,501)	(17,956)	(25,901)	(21,344)
Operating profit before provisions	65,506	70,941	69,882	77,037
Provision for loan losses	(15,728)	(20,843)	(16,542)	(21,807)
Recovery of non performing advances	13,095	14,049	13,148	14,200
Provision for fall in value of investments and dealing securities	–	(9)	428	45
Operating profit before VAT	62,873	64,138	66,916	69,475
Value added tax on financial services	(26,143)	(18,207)	(26,855)	(18,531)
Operating profit	36,730	45,931	40,061	50,944
Share of profit of Associate Companies before tax	–	–	1,141	556
Profit before taxation	36,730	45,931	41,202	51,500
Income tax expense	(9,809)	(14,661)	(12,247)	(16,824)
Profit after taxation	**26,921**	**31,270**	**28,955**	**34,676**
Attributable to:				
Equity holder of the parent	26,921	31,270	28,806	33,987
Minority interest	–	–	149	689
Profit for the year	**26,921**	**31,270**	**28,955**	**34,676**
Basic earnings per share (US$)	5.38	6.25	5.76	6.80
Dividend per share (US$)	2.35	1.49	2.35	1.49

Exchange rate of 1 US$ was Rs. 114.5550 as at 31 December 2009 (Rs. 113.8800 as at 31 December 2008).

BALANCE SHEET - US$

As at 31 December	Bank 2009 US$ '000	Bank 2008 US$ '000	Group 2009 US$ '000	Group 2008 US$ '000
ASSETS				
Cash and short term funds	117,925	89,284	117,998	89,696
Balances with Central Banks	141,971	137,242	141,971	137,242
Treasury bills, bonds and other eligible bills	250,844	227,849	259,162	232,063
Securities purchased under re-sale agreements	57,746	15,450	58,207	15,450
Dealing securities	15,956	1,262	18,658	3,624
Placement with and loans to other banks	400,393	144,041	400,568	144,128
Treasury bonds maturing after one year	409,502	341,012	409,502	341,012
Loans & advances to customers				
- Bills of exchange	133,162	139,851	137,060	142,745
- Loans & advances	2,143,968	2,189,406	2,157,931	2,190,192
- Lease rentals receivable - within one year	16,767	14,330	41,817	33,061
- Lease rentals receivable - one to five years	19,972	37,030	44,576	71,295
- Lease rentals receivable - after five years	2	3	3	112
	2,313,871	2,380,620	2,381,387	2,437,405
Government of Sri Lanka Restructuring Bonds	74,610	75,053	74,610	75,053
Investment securities	662,081	611,884	667,393	611,928
Investment properties	–	–	3,420	3,765
Investments in Associate Companies	7,373	7,188	9,463	8,398
Investments in Subsidiary Companies	27,863	24,446	–	–
Other assets	167,469	151,947	172,621	159,329
Property, plant & equipment	49,415	43,998	61,735	56,447
Leasehold land	552	74	935	471
Intangible assets	967	2,042	1,041	2,124
Total assets	**4,698,538**	**4,253,392**	**4,778,671**	**4,318,135**
FINANCED BY:				
LIABILITIES				
Deposits from customers	3,566,911	2,775,462	3,591,808	2,793,973
Borrowed fund	288,930	538,267	312,227	555,092
Securities sold under re-purchase agreements	298,579	437,317	287,792	427,819
Insurance provision - life	–	–	361	–
Insurance provision - non-life	–	–	1,585	–
Tax payable	1,657	9,471	2,511	10,824
Deferred tax liability	3,574	4,448	3,842	4,967
Other liabilities	164,018	127,602	171,339	132,994
Debentures	157,519	157,961	166,849	168,129
Total liabilities	**4,481,188**	**4,050,528**	**4,538,314**	**4,093,798**
SHAREHOLDERS' EQUITY				
Stated capital	43,647	43,906	43,647	43,906
Permanent reserve fund	23,133	22,699	23,133	22,699
Retained profits	138,096	125,874	149,409	138,979
Reserves	12,474	10,385	15,868	12,998
Total equity attributable to the parent	217,350	202,864	232,057	218,582
Minority interest	–	–	8,300	5,755
Total equity	217,350	202,864	240,357	224,337
Total shareholders' equity and liabilities	**4,698,538**	**4,253,392**	**4,778,671**	**4,318,135**
Commitments and contingencies	2,149,576	1,447,249	2,150,200	1,447,707

Exchange rate of 1 US$ was Rs. 114.5550 as at 31 December 2009 (Rs. 113.8800 as at 31 December 2008).

SUMMARY OF THE INCOME STATEMENTS

	2009					2008				
	1st Quarter 31 Mar. 2009 Rs. million	2nd Quarter 30 Jun. 2009 Rs. million	3rd Quarter 30 Sep. 2009 Rs. million	4th Quarter 31 Dec. 2009 Rs. million	Total 31 Dec. 2009 Rs. million	1st Quarter 31 Mar. 2008 Rs. million	2nd Quarter 30 Jun. 2008 Rs. million	3rd Quarter 30 Sep. 2008 Rs. million	4th Quarter 31 Dec. 2008 Rs. million	Total 31 Dec. 2008 Rs. million
Bank										
Net interest income	3,405	3,750	3,204	4,451	14,810	3,147	2,792	3,689	4,068	13,696
Non-interest income	2,505	2,629	2,051	1,700	8,885	1,336	2,408	1,763	3,391	8,898
Less: Non-interest expenses	3,539	3,919	4,099	4,634	16,191	3,324	3,480	3,705	4,007	14,516
Provision for bad & doubtful debts	360	469	138	(665)	302	(17)	327	132	331	773
Profit from operations before taxes	2,011	1,991	1,018	2,182	7,202	1,176	1,392	1,615	3,121	7,304
Less: Value added tax on financial services	581	714	707	992	2,994	364	395	555	759	2,073
Profit before taxation	1,430	1,277	311	1,190	4,208	812	997	1,060	2,362	5,231
Less: Income tax expense	450	464	108	102	1,124	301	591	485	293	1,670
Profit after taxation	980	813	203	1,088	3,084	511	406	575	2,069	3,561
Quarterly profit as a % of the profit after tax	32	26	7	35	100	14	12	16	58	100
Cumulative profit as a % of the profit after tax	32	58	65	100	–	14	26	42	100	–
Group										
Net interest income	3,617	3,957	3,443	4,772	15,789	3,350	2,985	3,894	4,363	14,592
Non-interest income	2,499	2,664	2,159	1,890	9,212	1,504	2,887	2,232	2,531	9,154
Less: Non-interest expenses	3,676	4,018	4,207	5,046	16,947	3,596	3,950	4,204	3,218	14,968
Provision for bad & doubtful debts	393	522	176	(703)	389	27	355	100	384	866
Profit from operations before taxes	2,047	2,081	1,219	2,319	7,666	1,231	1,567	1,822	3,292	7,912
Less: Value added tax on financial services	587	723	720	1,046	3,076	372	403	562	774	2,110
Profit from operations before corporate tax	1,459	1,358	499	1,273	4,589	859	1,164	1,260	2,518	5,801
Add: Share of profit of Associate Companies	17	36	(61)	139	131	5	35	(8)	31	63
Profit before taxation	1,476	1,394	438	1,412	4,720	864	1,199	1,253	2,549	5,865
Less: Income tax expense	517	523	179	184	1,403	386	638	537	355	1,916
Profit after taxation	959	871	259	1,228	3,317	478	561	716	2,194	3,949
Quarterly profit as a % of the profit after tax	29	26	8	37	100	12	14	18	56	100
Cumulative profit as a % of the profit after tax	29	55	63	100	–	12	26	44	100	–

SUMMARY OF THE BALANCE SHEET

	2009				2008			
	As at 31 Mar. 2009 Rs. million	As at 30 Jun. 2009 Rs. million	As at 30 Sep. 2009 Rs. million	As at 31 Dec. 2009 Rs. million	As at 31 Mar. 2008 Rs. million	As at 30 Jun. 2008 Rs. million	As at 30 Sep. 2008 Rs. million	As at 31 Dec. 2008 Rs. million
Bank								
Net loans & advances	274,273	260,844	264,809	265,065	271,208	289,612	250,122	271,105
Investments	149,124	155,920	164,987	172,517	81,018	76,921	133,075	148,516
Property, plant & equipment	5,305	5,630	6,011	5,724	5,278	5,392	5,764	5,019
Other assets	64,591	71,435	98,303	94,935	86,841	87,825	77,527	59,736
	493,293	493,829	534,110	538,241	444,345	459,750	466,488	484,376
Deposits	332,313	359,023	399,245	408,607	307,661	311,810	323,605	316,070
Borrowings	118,203	91,936	89,667	85,347	99,169	110,356	103,884	129,088
Other liabilities	18,868	18,431	21,379	19,388	16,127	16,290	17,304	16,116
Shareholders' funds	23,909	24,439	23,819	24,899	21,388	21,294	21,695	23,102
	493,293	493,829	534,110	538,241	444,345	459,750	466,488	484,376
Group								
Net loans & advances	280,786	267,998	272,218	272,800	278,405	297,107	257,697	277,572
Investments	147,489	154,333	163,673	171,488	79,216	74,839	131,038	146,624
Property, plant & equipment	6,745	7,056	6,811	7,179	6,745	6,851	7,199	6,481
Other assets	66,007	72,904	100,473	95,954	86,312	87,851	77,919	61,072
	501,027	502,291	543,175	547,421	450,678	466,648	473,853	491,749
Deposits	334,638	361,621	402,154	411,460	309,463	313,642	325,630	318,178
Borrowings	120,075	94,410	92,293	87,849	101,707	113,442	106,983	131,080
Other liabilities	19,990	19,371	22,404	20,578	16,044	16,073	17,206	16,944
Shareholders' funds	26,324	26,889	26,324	27,534	23,464	23,491	24,034	25,547
	501,027	502,291	543,175	547,421	450,678	466,648	473,853	491,749

FINANCIAL MEASURES

	2009				2008			
	1st Quarter 31 Mar. 2009	2nd Quarter 30 Jun. 2009	3rd Quarter 30 Sep. 2009	4th Quarter 31 Dec. 2009	1st Quarter 31 Mar. 2008	2nd Quarter 30 Jun. 2008	3rd Quarter 30 Sep. 2008	4th Quarter 31 Dec. 2008
Bank								
Profitability								
Return on assets (before tax) (%)	1.17	1.11	0.79	0.82	0.74	0.81	0.85	1.13
Return on equity (after tax) (%)	16.67	15.08	11.34	12.85	9.63	8.66	9.30	16.13
Investor Information								
Debt equity (%)	95.40	92.52	94.28	92.12	29.70	31.13	33.93	98.25
Interest cover (times)	1.38	1.40	1.33	1.35	1.25	1.27	1.28	1.35
Earnings per share (Rs.)	783.59	717.10	399.13	616.80	408.50	370.67	397.73	712.20
Net assets per share (Rs.)	4,781.71	4,887.89	4,763.83	4,979.72	4,277.52	4,258.73	4,339.05	4,620.45
Capital Adequacy Ratios								
Tier 1 (%)	10.75	10.78	10.66	11.22	10.33	9.95	10.05	11.29
Total (Tier 1+ Tier 2) (%)	15.31	15.30	14.97	14.16	11.09	10.70	11.27	15.88
Assets Quality								
Net non-performing asset ratio (%) (Net of interest in suspense & provision)	3.00	3.40	3.46	2.73	1.49	1.77	2.40	2.13
Gross non-performing asset ratio (%) (without interest in suspense)	5.72	6.44	6.53	5.65	4.69	4.84	5.90	4.92
Statutory Liquid Asset Ratios								
Domestic Banking Unit (%)	22.55	26.79	28.39	21.13	20.02	20.45	21.57	24.21
Off-shore banking Unit (%)	52.10	57.84	69.28	55.46	47.85	77.07	51.87	66.66

	2009				2008			
	1st Quarter 31 Mar. 2009	2nd Quarter 30 Jun. 2009	3rd Quarter 30 Sep. 2009	4th Quarter 31 Dec. 2009	1st Quarter 31 Mar. 2008	2nd Quarter 30 Jun. 2008	3rd Quarter 30 Sep. 2008	4th Quarter 31 Dec. 2008
Group								
Profitability								
Return on assets (before tax) (%)	1.19	1.15	0.85	0.91	0.77	0.91	0.96	1.25
Return on equity (after tax) (%)	14.78	13.96	11.01	12.50	8.42	9.14	10.18	16.22
Investor Information								
Earnings per share	766.12	732.93	417.81	659.97	370.85	402.46	454.79	774.08
Net assets per share	5,135.31	5,253.40	5,141.93	5,316.66	4,570.29	4,578.81	4,684.03	4,978.42
Capital Adequacy Ratios								
Tier 1 (%)	12.11	11.69	11.30	12.01	11.38	10.62	10.62	12.18
Total (Tier 1+ Tier 2) (%)	16.86	16.26	15.67	15.13	12.38	11.60	12.04	16.81
Assets Quality								
Net non-performing asset ratio (%) (Net of interest in suspense & provision)	3.12	2.77	2.86	2.75	1.70	1.82	2.71	2.30
Gross non-performing asset ratio (%) (without interest in suspense)	5.91	6.71	6.80	5.75	4.89	5.05	6.19	5.17

ANALYSIS OF DEPOSITS

	2005 Rs. million	2006 Rs. million	2007 Rs. million	2008 Rs. million	2009 Rs. million
Local currency deposits					
Current account deposits	40,542	47,242	44,933	44,304	49,498
Savings deposits	67,761	78,118	87,379	91,324	110,371
Time deposits	29,370	44,690	69,475	83,085	120,894
Certificates of deposit	373	173	59	30	29
Other deposits	2,822	2,160	740	662	969
	140,868	172,383	202,586	219,405	281,761
Foreign currency deposits					
Current account deposits	3,512	3,615	4,387	3,604	5,530
Savings deposits	49,294	36,887	39,277	37,993	51,817
Time deposits	37,491	48,181	60,413	51,427	68,799
Other deposits	1,347	1,610	2,193	3,641	700
	91,644	90,293	106,270	96,665	126,846
Total deposits	232,512	262,676	308,856	316,070	408,607

ANALYSIS OF LOANS AND ADVANCES

	2005 Rs. million	2006 Rs. million	2007 Rs. million	2008 Rs. million	2009 Rs. million
Bills of exchange	4,860	4,528	11,430	16,908	16,099
Loans and advances	178,198	235,509	281,872	266,423	262,716
Lease rentals receivable	947	2,003	5,918	6,155	4,716
	184,005	242,040	299,220	289,486	283,531
Less: Interest in suspense	7,943	8,422	7,859	8,607	8,509
Total gross loans and advances	176,062	233,618	291,361	280,879	275,022

INFORMATION ON DEBENTURES ISSUED BY THE BANK

	Interest payable frequency	Issue date	Maturity date	Coupon rate		Effective annual yield		Interest rate of comparable government security	Amount as at 31 December	
				2009 %	2008 %	2009 %	2008 %	%	2009 Rs. '000	2008 Rs. '000
Type of debentures										
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	10.40	345,190	345,190
Unsecured, subordinated, redeemable debentures*	At maturity	24.11.2008	24.11.2013	–	–	18.18	17.61	10.40	273,927	232,508
									619,117	**577,698**
Floating interest rate										
Unsecured, subordinated, redeemable debentures [6 months TB rate (Gross) plus 75 basis points]*/**	Semi annually	24.11.2008	24.11.2013	10.00	21.06	17.04	21.06	10.40	3,699,390	3,699,390
Unsecured, subordinated, redeemable debentures [6 months TB rate (Gross) plus 150 basis points]**	Semi annually	31.12.2003	31.12.2011	10.15	19.96	16.69	20.52	9.55	250,000	250,000
Unsecured, subordinated, redeemable debentures [12 months TB rate (Gross) plus 70 basis points]***	Semi annually	03.11.2005	03.11.2010	11.68	21.88	20.24	20.16	9.40	1,000,000	1,000,000
Unsecured, subordinated, redeemable debentures [12 months TB rate (Gross) plus 75 basis points]***	Semi annually	27.10.2006	27.10.2011	12.11	21.93	20.16	20.25	9.50	1,000,000	1,000,000
Unsecured, subordinated, redeemable debentures [12 months TB rate (Gross) plus 100 basis points]***	Annually	15.08.2008	15.08.2013	14.31	21.74	18.14	21.74	10.50	300,000	300,000
Unsecured, redeemable, debentures [12 months TB rate (Gross)]***	Annually	17.11.2006	17.11.2011	11.36	21.18	19.41	19.44	9.55	1,200,000	1,200,000
Unsecured, redeemable, debentures [12 months TB rate (Gross)]***	Annually	10.01.2007	10.01.2012	20.27	21.96	20.40	21.78	10.35	1,500,000	1,500,000
Unsecured, redeemable, debentures [12 months TB rate (Gross)]***	Annually	12.03.2007	12.03.2012	19.66	21.12	20.58	20.05	10.30	1,000,000	1,000,000
Unsecured, redeemable, debentures [12 months TB rate (Gross) plus 50 basis points]***	Annually	03.10.2007	03.10.2012	12.82	21.68	19.51	20.20	10.25	1,000,000	1,000,000
Unsecured, redeemable, debentures [12 months TB rate (Gross) plus 50 basis points]***	Annually	01.11.2007	01.11.2012	11.48	21.68	19.99	19.91	10.25	1,500,000	1,500,000
Unsecured, redeemable, debentures [12 months TB rate (Gross) plus 50 basis points]***	Annually	01.11.2007	01.11.2012	11.48	21.68	19.99	19.91	10.25	500,000	500,000
Unsecured, redeemable, debentures [12 months TB rate (Gross) plus 50 basis points]***	Annually	01.04.2008	01.04.2013	18.80	21.61	19.54	21.61	10.30	500,000	500,000
Unsecured, redeemable, debentures [12 months TB rate (Gross) plus 50 basis points]***	Annually	01.04.2008	01.04.2013	18.80	21.61	19.54	21.61	10.30	1,500,000	1,500,000
									14,949,390	**14,949,390**

	Interest payable frequency	Issue date	Maturity date	Coupon rate		Effective annual yield		Interest rate of comparable government security	Amount as at 31 December	
				2009 %	2008 %	2009 %	2008 %	%	2009 Rs. '000	2008 Rs. '000
B - United States Dollar debentures										
Fixed interest rate										
Unsecured, subordinated, redeemable debentures	Semi annually	10.10.2008	10.10.2013	5.50	5.50	5.50	5.50	4.09	27,493	27,330
Floating interest rate										
Unsecured, subordinated, redeemable debentures (6 months LIBOR Plus 300 basis points)****	Semi annually	10.10.2008	10.10.2013	4.69	7.11	4.74	7.11	4.09	2,448,613	2,434,186
									2,476,106	**2,461,516**
Total value of Debentures									**18,044,613**	**17,988,604**

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 2009 (Highest Price - Rs. 101.00, Lowest Price - Rs. 100.00, Last Transaction Price - Rs. 101.00).*

** *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.*

	2009	2008
Information on listed debentures		
Market price during the period (Rs.)		
High	101	Not traded during the period
Low	100	
Last transaction	101	

TEN YEAR STATISTICAL SUMMARY - BANK

For the year ended 31 December	2000 Rs. million	2001 Rs. million	2002 Rs. million	2003 Rs. million	2004 Rs. million	2005 Rs. million	2006 Rs. million	2007 Rs. million	2008 Rs. million	2009 Rs. million
Operating results										
Income	**22,753**	**28,410**	**24,578**	**22,805**	**23,957**	**27,324**	**35,192**	**50,159**	**60,182**	**63,461**
Interest income	18,245	22,887	20,258	17,040	16,609	20,595	26,823	42,286	49,684	53,077
Interest expense	(12,498)	(17,704)	(12,794)	(8,438)	(8,256)	(11,231)	(15,744)	(29,453)	(35,989)	(38,267)
Net interest income	5,747	5,183	7,463	8,602	8,353	9,364	11,079	12,833	13,695	14,810
Foreign exchange profit	384	1,205	737	707	1,781	1,015	2,261	1,178	2,887	1,567
Other income	3,413	3,270	3,384	4,817	5,310	5,716	6,107	6,695	7,611	8,818
Other operating expenses	(6,061)	(6,892)	(7,406)	(8,676)	(9,127)	(10,400)	(12,174)	(13,105)	(14,514)	(16,190)
Provision for loan losses and fall in value of investments & dealing securities	(2,412)	(1,875)	(2,941)	(3,012)	(2,886)	(1,659)	(1,369)	(1,210)	(2,375)	(1,802)
Operating profit before VAT	1,071	891	1,238	2,438	3,431	4,036	5,904	6,391	7,304	7,203
Value added tax on financial services	–	–	–	(638)	(872)	(916)	(1,767)	(1,873)	(2,073)	(2,995)
Profit before taxation	1,071	891	1,238	1,800	2,559	3,120	4,137	4,518	5,231	4,208
Income tax expense	(370)	(74)	(219)	(168)	(590)	(1,225)	(1,510)	(1,675)	(1,670)	(1,124)
Profit after taxation	**701**	**817**	**1,019**	**1,632**	**1,969**	**1,895**	**2,627**	**2,843**	**3,561**	**3,084**
As at 31 December										
Assets										
Cash and short term funds	3,309	4,122	4,275	4,179	5,584	6,127	7,790	9,244	10,168	13,509
Balances with Central Banks	7,057	8,835	9,198	7,944	12,480	13,933	17,106	17,253	15,629	16,263
Treasury bills, bonds and other eligible bills	5,340	4,313	13,134	13,837	25,502	41,366	45,808	39,205	27,707	35,350
Dealing securities	614	797	503	1,411	507	54	1,180	3,184	144	1,828
Placements with and loans to other banks	28,685	10,642	13,494	26,412	27,362	36,851	23,735	19,722	16,403	45,867
Treasury bonds maturing after one year	5,242	3,217	10,955	16,554	15,334	9,882	24,263	27,337	38,834	46,910
Bills of exchange & loans and advances	113,016	143,288	115,255	114,287	131,096	165,668	222,971	278,619	265,256	260,857
Lease rentals receivable	341	266	276	406	579	936	1,991	5,877	5,849	4,209
Government of Sri Lanka Restructuring Bonds	17,883	17,883	17,883	17,883	17,883	17,883	8,547	8,547	8,547	8,547
Investment securities	21,732	23,418	16,593	10,227	6,493	2,787	2,380	2,362	69,681	75,845
Investment properties	–	–	754	1,150	1,150	1,236	1,088	559	–	–
Investment in Subsidiaries and Associates	2,947	2,822	2,831	4,008	4,984	4,225	3,711	3,650	3,603	4,037
Other assets	23,146	14,619	19,532	17,746	12,498	12,833	11,928	16,901	17,304	19,184
Deferred tax assets	–	–	–	–	–	704	236	60	–	–
Property, plant & equipment	3,604	3,451	3,192	4,344	4,947	4,769	5,145	4,982	5,018	5,724
Intangible assets	–	–	–	–	–	467	420	399	233	111
Total assets	**232,916**	**237,673**	**227,875**	**240,388**	**266,399**	**319,721**	**378,299**	**437,901**	**484,376**	**538,241**

As at 31 December	2000 Rs. million	2001 Rs. million	2002 Rs. million	2003 Rs. million	2004 Rs. million	2005 Rs. million	2006 Rs. million	2007 Rs. million	2008 Rs. million	2009 Rs. million
Liabilities										
Deposits from customers	131,341	147,389	170,544	187,256	206,184	232,822	262,990	308,856	316,070	408,607
Borrowed funds	63,366	54,285	21,510	17,908	28,778	54,686	81,106	84,658	111,100	67,302
Tax payable	280	134	402	62	137	76	727	885	1,079	190
Deferred tax liability	262	–	–	–	–	–	–	–	506	409
Other liabilities	15,654	12,070	12,356	11,242	9,152	8,436	11,714	13,302	14,531	18,789
Debentures	10,900	12,550	11,225	9,600	6,800	7,350	3,850	9,150	17,988	18,045
Total liabilities	**221,803**	**226,428**	**216,036**	**226,068**	**251,051**	**303,370**	**360,387**	**416,851**	**461,274**	**513,342**
Shareholders' equity										
Stated capital	2,600	2,600	2,600	2,600	2,600	4,000	4,000	5,000	5,000	5,000
Permanent reserve fund	1,061	1,225	1,430	1,465	1,505	1,915	2,455	2,515	2,585	2,650
Retained profits	7,065	7,033	7,173	8,097	9,034	9,475	10,298	12,161	14,335	15,820
Reserves	387	387	636	2,158	2,209	961	1,159	1,374	1,182	1,429
Total shareholders' equity	11,113	11,245	11,839	14,320	15,348	16,351	17,912	21,050	23,102	24,899
Total equity and liabilities	232,916	237,673	227,875	240,388	266,399	319,721	378,299	437,901	484,376	538,241
Commitments and contingencies	79,870	73,316	62,996	50,087	58,841	80,187	105,502	134,713	164,813	246,245
For the year ended 31 December										
Ratios										
Return on average assets (%)	0.52	0.38	0.53	0.77	1.01	1.06	1.19	1.11	1.13	0.82
Return on average shareholders' funds (%)										
- after tax	6.32	7.31	8.83	12.48	13.28	11.96	15.33	14.59	16.13	12.85
Income growth (%)	5.94	24.86	(13.49)	(7.21)	5.05	14.05	28.80	42.53	19.98	5.45
Capital adequacy ratio (%)										
- Tier I	10.79	12.40	11.64	12.11	12.33	12.67	11.90	11.38	11.29	11.22
- Tier I + Tier II	11.53	13.05	12.44	13.11	12.44	13.18	12.30	11.40	15.88	14.16
Capital funds to liabilities including contingent liabilities (%)	3.68	3.75	4.24	5.19	4.95	4.26	3.84	3.82	3.69	3.28
Liquidity ratio (%)	27.86	28.50	34.19	25.34	23.82	26.87	22.19	21.20	24.21	21.13
Cost to income ratio (%)	74.06	79.97	70.03	70.40	68.10	72.06	68.20	66.57	63.22	67.60
Other information										
No. of employees	9,473	9,245	9,268	8,927	8,718	8,891	8,363	8,253	7,912	7,538
No. of branches	296	296	297	299	300	304	305	307	309	310
No. of ATMs	30	54	79	85	104	104	190	203	251	329
No. of advances (in '000)	695	718	796	1,061	1,218	1,285	1,541	1,867	1,839	2,011
No. of depositors (in '000)	4,749	4,896	5,089	5,274	5,491	5,782	6,248	6,993	7,494	8,440
Cashflow from operating activities	(2,371)	6,970	16,396	18,187	1,374	(8,961)	(24,200)	(13,713)	30,262	100,115
Cashflow from investing activities	(551)	1,946	197	1,238	5,575	(6,315)	(8,998)	3,034	(67,091)	(22,166)
Cashflow from financing activities	4,877	(8,104)	(5,175)	(5,901)	7,070	25,309	21,746	8,120	34,433	(45,144)
Capital expenditure on purchase of property, plant & equipment	(553)	(377)	(322)	(519)	(911)	(927)	(912)	(514)	(627)	(1,391)

No. of Employees
Nos.
10,000
8,000
6,000
4,000
2,000
0
00 01 02 03 04 05 06 07 08 09

No. of Branches
Nos.
310
305
300
295
290
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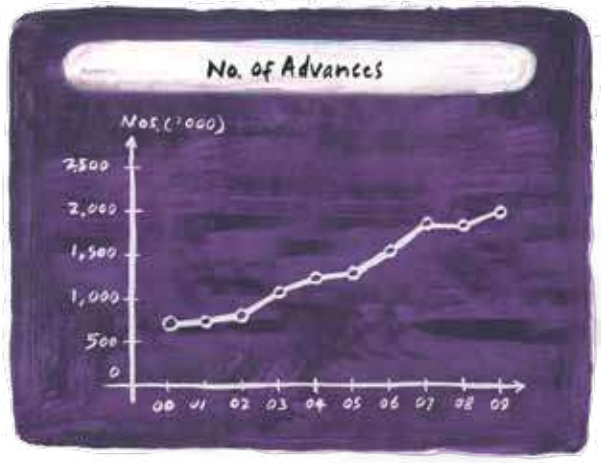
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1,000
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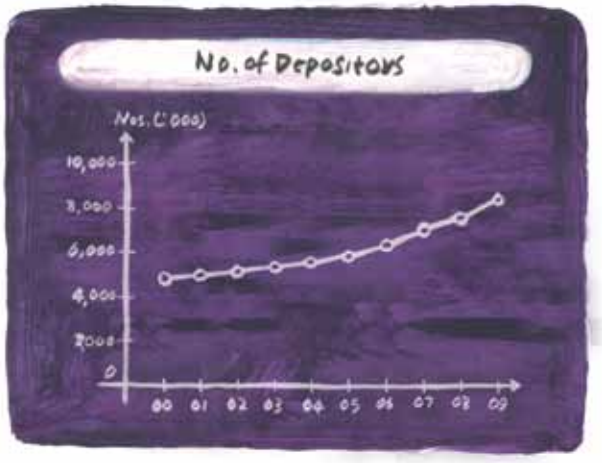

No. of Depositors
Nos. ('000)
10,000
8,000
6,000
4,000
2,000
0
00 01 02 03 04 05 06 07 08 09

1. DR. GAMINI WICKRAMASINGHE

Chairman

Appointed to the Board of Bank of Ceylon as the Chairman in May 2007.

Dr. Wickramasinghe holds a Master's Degree in Systems Analysis from the University of Aston, Birmingham, UK and a Doctorate in Business Administration (DBA) from the Manchester Metropolitan University, UK. He is a Fellow of the Chartered Management Institute (FCMI), UK and a Fellow of the British Computer Society (FBCS).

Dr. Wickramasinghe is the Managing Director of the Informatics Group of Companies, one of the largest software development houses in the country. He also holds directorships in Property Development PLC, BOC Travels (Private) Limited, Ceybank Holiday Homes (Private) Limited and Mireka Capital Land (Private) Limited.

2. DR. R H S SAMARATUNGA

Ex officio Director

Appointed to the Board of Bank of Ceylon in October 2008.

Dr. R H S Samaratunga holds a Bachelor of Arts (Hons.) Degree in Economics from the University of Peradeniya, Sri Lanka, a Master of Science (M.Sc.) Degree in Agriculture Economics from the University of Wisconsin-Madison, USA, a Master of Business Administration (MBA) Degree from the University of Sri Jayewardenepura, Sri Lanka and also a Doctorate in Philosophy (Ph.D.) from La Trobe University, Australia.

He is a Deputy Secretary to the Treasury with over twenty-five years of experience in public service in several capacities. He has previously held senior positions in the Ministry of Finance and Planning. Among them were Director, Department of National Planning, Additional Director General, Department of Fiscal Policy and Economic Affairs and Director General, Department of Trade, Tariff and Investment Policy.

He is on the Boards of several Public Enterprises and Government-linked companies such as Ceylon Electricity Board, Mihin Lanka (Private) Limited, De La Rue Lanka Currency and Security Print (Private) Limited, Securities and Exchange Commission of Sri Lanka and the Postgraduate Institute of Management.

3. G K A CHAMINDA K KULARATNE

Director

First appointed to the Board of Bank of Ceylon in December 2005 and was reappointed in June 2007.

Mr. Kularatne holds a Bachelor of Laws Degree (LLB) and a Postgraduate Diploma in Business Administration from the University of Colombo.

He is an Attorney-at-Law.

Mr. Kularatne is an Assistant Secretary to the President and is the Co-ordinating Secretary to the Ministry of Finance and Planning. He is on the Boards of Hotels Colombo (1963) Limited (GOH) and MBSL Insurance Company Limited.

4. RAJU SIVARAMAN

Director

First appointed to the Board of Bank of Ceylon in January 2006 and was reappointed in June 2007.

Mr. Sivaraman is a Chartered Architect holding a Master's Degree in Architecture (M.Sc. Arch.) and is also a Fellow Member of the Sri Lanka Institute of Architects. His experience in the fields of Architecture and Management runs over twenty-five years.

He is the Associate Consultant of Plan 3 Architects in India, Managing Director of Arch - Triad Consultants (Private) Limited, an architectural consultancy firm since 1980, Director of Ram Developers (Private) Limited and Ceylease Financial Services Limited.

5. GUNARATNA GALLAGE

Director

First appointed to the Board of Bank of Ceylon in January 2006 and was reappointed in June 2007.

Mr. Gallage is an Attorney-at-Law by profession counting over twenty years practice in the Civil Courts and title work. He also holds a Bachelor's Degree in Arts from Vidyodaya - Sri Jayewardenepura University of Sri Lanka and a Postgraduate Diploma in Education.

He has served as a member of the Compensation Tribunal at People's Bank and as a member of the Rent Board of Review for two consecutive terms.

6. DR. BUDDHADASA KALUARACHCHI

Director

First appointed to the Board of Bank of Ceylon in January 2006 and reappointed in June 2007.

Dr. Kaluarachchi holds a MBBS Degree from the University of Ceylon, Faculty of Medicine, Colombo. He has served as a Medical Officer in several Government Hospitals in Sri Lanka and has also been a Company Medical Officer for leading Hotels in Colombo, several International Airlines and a Consultant to several Multinational Companies. In addition, he had been involved in their administration and marketing services. He has also been a Medical Officer to several Embassies and High Commissions located in Sri Lanka. He was a Founder Director of Asiri Hospitals Limited.

Dr. Kaluarachchi has undergone Postgraduate Training and has worked in leading National Health Service Hospitals in the United Kingdom. He has also been a General Medical Practitioner (Principal) in the National Health Service in the United Kingdom and has also served as a Consultant to several Multinational Companies and as a Clinical Assistant at the regional local hospitals in the United Kingdom.

Presently, Dr. Kaluarachchi is the President of the Ceylon National Association for the Prevention of Tuberculosis (CNAPT), the President of the Ruhunu Cultural Institution and also a Member on the Board of Management of Colombo Young Men's Buddhist Association (YMBA). He is a Management Council Member of University of the Visual & Performing Arts. He is also the Chairman of Hotels Colombo (1963) Limited (GOH) and a Director of Lanka Hospitals Corporation PLC (Apollo Hospitals) and Merchant Credit of Sri Lanka Limited.

7. V KANAGASABAPATHY

Alternate Director

Appointed as Alternate Director to Dr. R H S Samaratunga from October 2008. He was also functioning as the Alternate Director to Mr. S Abeysinghe (former Ex officio Director) from March 2006.

Mr. Kanagasabapathy is a Fellow Member of The Institute of Chartered Accountants of Sri Lanka and holds a Master's Degree in Public Administration from Harvard University, U.S.A.

He is presently the Financial Management Advisor of the Ministry of Finance and Planning with over thirty years of public service in several senior capacities.

Mr. Kanagasabapathy is on the Boards of several Public Enterprises and Government-linked companies such as Hotel Developers (Lanka) PLC, Lanka Industrial Estate Limited and De La Rue Lanka Currency and Security Print (Private) Limited. He is also a Board Member of Merchant Bank of Sri Lanka PLC and is the President of the Institute of Public Finance and Development Accountancy. He was a Member of the Governing Council of the Association of Accounting Technicians of Sri Lanka and presently a Member of the Governing Council of The Institute of Chartered Accountants of Sri Lanka. He is also the Chairman of the Board of Directors of Distance Learning Centre, Sri Lanka.

8. MS. JANAKI SENANAYAKE SIRIWARDANE

Secretary, Bank of Ceylon/Secretary to the Board
Attorney-at-Law, LLB, MBA

Sketches of the members of the Board of Directors are enclosed.

CORPORATE MANAGEMENT TEAM

1. B A C FERNANDO

General Manager
BA, MBA, FIB

Mr. Fernando has been in Banking for 39 years. Before being appointed Chief Executive of the Bank he held the post of Deputy General Manager in charge of the Bank's vast branch network. His speciality is credit with extensive branch banking experience. He has consumer credit experience at branch, provincial and divisional levels. His corporate credit experience covers all levels including handling the large portfolio of the Bank's Corporate Branch. In branch banking his experience ranges from operations level activity to management at divisional level. Mr. Fernando has contributed to knowledge and skills development of the workforce through training and has provided leadership in restructuring initiatives. He has undergone extensive training in banking and management both locally and overseas. He serves on the boards of many of the Bank's subsidiaries as Director and is also a Director of the Institute of Bankers of Sri Lanka.

2. MS. W A NALANI

Senior Deputy General Manager - Corporate and Off-Shore Banking
AIB, FIB (Sri Lanka), BA (Econ.), B.Phil.

Counting over 34 years diversified banking experience, Ms. Nalani has been a Deputy General Manager for over 7 years and Senior Deputy General Manager since December 2008.

Presently, she manages the largest strategic business segment including Corporate and Off-Shore Banking Units and the Trade Finance Unit.

Previously, she headed the dedicated Recovery Unit for over 3 years and played a pivotal role in managing special projects.

She was actively involved in the implementation of IT solutions for trade finance activities in the Bank.

As an Assistant General Manager, she headed many large and important operating units including the Metropolitan Branch, the largest middle market business unit and Sabaragamuwa Province with a branch network covering important economic districts of Kegalle and Ratnapura.

She has specialised in credit and recovery management and contributed significantly for staff training in that area.

Presently, she is functioning as a Director on the Board of Merchant Bank of Sri Lanka and as Alternate Directors on the Boards of Credit Information Bureau, Institute of Bankers of Sri Lanka and BOC Travels (Private) Limited.

She was a co-winner of the 'Zonta Award for Excellence' in Banking Category for the year 2009.

She is a Vice-President of the Association of Professional Bankers of Sri Lanka and a Committee Member of the Alumni Organisation - University of Colombo.

She also serves as a Director on the Committee of Rotary Club of Colombo Central.

3. K DHARMASIRI

Deputy General Manager - Recovery
BCom. (1st Class Hons.), B.Phil. (Econ.), AIB (Sri Lanka)

Mr. Dharmasiri has been a Deputy General Manager for over 7 years. He has over 34 years of diversified banking experience, both within and outside Sri Lanka. Within Sri Lanka he was associated with the Corporate and Off-Shore Banking Division, Finance and Planning Division, Internal Audit Division and Bank's Restructuring Operations. In terms of overseas assignments he was the Country Manager of Bank of Ceylon branch in the Republic of Maldives for a term of 3 years and later assumed duties as the Managing Director of Nepal Bank of Ceylon Limited in Nepal.

Mr. Dharmasiri serves as a Director on the Board of Lanka Securities (Private) Limited.

4. MS. KUMUDINIY KULATHUNGA

Deputy General Manager - Branches (Range I and Card Centre)
BA, B.Phil. (Hons.), AIB, FIB, Diploma in Bank Management, Diploma in Personnel Management

Ms. Kulatunga has over 34 years of wide experience in the Bank. She has acquired experience and exposure in many different areas of the Bank at Executive and Corporate Management levels. She has held leadership positions in Western Province, North Western Province and the Eastern Province. She was also the head of Human Resources and Training and has contributed substantially towards training and development of all bank employees and was instrumental in implementing the present Performance Appraisal system across the network effectively. She also has deep experience in Rural Banking and Reorganisation/Restructuring activities of the Bank. Whilst serving in Reorganisation Division, she was instrumental in implementing new and modified processes that generated significant cost reduction and improved productivity. She has also played a pivotal role in ensuring speedier and efficient processing of branch back office activities of over 300 branches and modernised its front offices whilst being in charge of Support Services Division.

Presently, she is in charge of the branch network in Western Province which serves a huge number of personal customers and middle market and retail customers engaged in diverse economic activities. At the same time she is in charge of the Bank's Card Centre including Credit Cards and Debit Cards.

She is a Member of the Governing Board of the Institute of Bankers of Sri Lanka and a Life Member of the Association of Professional Bankers of Sri Lanka and a Fellow of the Institute of Bankers Sri Lanka.

5. C SAMARASINGHE

Deputy General Manager - Product and Development Banking
BA (Hons.), B.Phil. (Econ.)

With a service spanning of 34 years, Mr. Samarasinghe has gained wide experience in all aspects of branch banking. He now leads the development banking efforts across Sri Lanka and guides Micro Finance, Development Credit, SME Lending, Product Development and Islamic Banking Units. He had been in forefront in North-East Development, leading expanding outreach, and grass root level social mobilisation among the community. He was also instrumental in establishing a large financial house based in the Middle East and played a key role in introducing organisational and structural changes in the face of changing business environment including the establishment of the Central Back Office.

Mr. Samarasinghe has served on the Board of Merchant Credit of Sri Lanka Limited and is the Director of Transnational Lanka Records Solutions (Private) Limited. He is the Vice-Patron of the Nationalised Services Cricket Association and the Nationalised Services Sports Federation.

6. H M A B WEERASEKARA

Deputy General Manager - International and Treasury
BA Econ. (Hons.), B.Phil. (Industrial Management)

Mr. Weerasekara counts over 34 years experience in his banking career at BOC. He possesses wide experience in all aspects of Corporate, Off-Shore Branch Banking, Trade Finance, International and Treasury Operations having headed key business units of the Bank including the Off-Shore Banking Division. He has been the Deputy General Manager in charge of International, Treasury, Investment and Overseas Branches for nearly 4 years.

He was engaged in several overseas assignments including UK where he served as Deputy Manager of the London Branch for a period of 3 years.

He was also successful in his endeavour to enhance inward remittances, by introducing various remittance schemes. His efforts also improved relationships with Correspondent Banks and Exchange Houses worldwide.

At present he serves on the Board as a Director of Merchant Credit of Sri Lanka Limited and chairs the Audit Committee of the Company.

7. I D WEERASENA

Deputy General Manager - Branches Range II
BA (Econ.), B.Phil. (Econ.)

Mr. Weerasena possesses a service span of over 34 years across varied and different fields in Banking, with expertise in Branch Banking, Recovery and Remedial Management, Credit Cards and Development Credit. Following a 4½-year stint as Assistant General Manager (Western Province - South) and subsequently as Deputy General Manager (Recovery), he was appointed Deputy General Manager (Branches) with overall responsibility in Branch Network Operations and Credit Card Centre. Since mid 2009, his scope of responsibility was rearranged to cover the Branch Network except Western Province.

As Deputy General Manager (Branches - Range II), he played a pioneering role in setting-up banking outlets in Wanni IDP Camps overnight, effectively expanding outreach among the displaced civilians. In addition to the focused role in Deposit Mobilisation and Branch Modernisation, he is leading the banking development activities in the North and the East.

Mr. Weerasena also serves as a Director of Transnational Lanka Record Solutions (Private) Limited.

8. W D F WIMALARATNE

Deputy General Manager - Human Resource
FIB, Diploma in Bank Management, Postgraduate Diploma in Business and Finance Administration

Mr. Wimalaratne has a career of 40 years with Bank of Ceylon. During his tenure he has specialised in Operational Banking, NPL Management, Product Development and Human Resource Management. He also had a stint as Deputy Country Manager at the Karachi Branch. Prior to being promoted to Deputy General Manager, he served as Assistant General Manager - North Western Province. During this period he served on the Boards of Wayamba Development Bank, Industrial Services Bureau and Wayamba Chamber of Commerce and Industry.

He serves as a Member of the Governing Board of the Institute of Bankers of Sri Lanka and as Chairman of its Audit Committee.

He is a Director of Ceybank Holiday Homes (Private) Limited and a Council Member of the Association of Professional Bankers.

9. MS. DEEPA WANNIARATCHI

Deputy General Manager - Finance and Planning
BCom., Postgraduate Diploma in Business and Financial Administration

Ms. Wanniaratchi counts over 34 years service in the Bank. In her career she has experience in many fields including managing large Technology Projects, Bank Restructuring under financial sector reforms in the country, Credit and Recovery Management and Corporate and Retail banking activities.

Prior to her present assignment she led the project to implement the core banking system covering all branches, which provided Bank of Ceylon with the largest online branch network in Sri Lanka. The world-renowned Fiserv & IBM selected this project as the fastest implemented core banking project in the Asia Pacific Region and presented two awards to the Bank of Ceylon in November 2006.

Ms. Wanniaratchi serves as a Director of BOC Travels (Private) Limited.

10. M K NANDASIRI

Deputy General Manager - Support Services
BA (Hons.)(1st Class), (Econ.), B.Phil. (Econ.), AIB (Sri Lanka)

Mr. Nandasiri counts over 34 years of banking. During this period he has become a well-experienced banker having worked in almost all the areas of the Bank. Started his career servicing poor from Agricultural Service Centre and gained experience in various positions in various business units including International Treasury and Corporate Banking.

He is a well-experienced Trade Finance Banker and contributed substantially to the field. He is a resource person of the Bank of Ceylon Training Department and the Senior Vice-President of the Trade Finance Association of Bankers of Sri Lanka.

Mr. Nandasiri has worked as the Country Manager of Bank of Ceylon - Chennai for 3 years. Prior to the elevation to the present grade, he worked as the Assistant General Manager - Pettah.

He serves as a Director of Hotel Colombo (1963) (Grand Oriental Hotel) of Sri Lanka.

11. M KIRITHARAN

Chief Legal Officer Attorney-at-Law and Notary Public (SL),
Solicitor (UK), Executive Diploma in Business Administration

Mr. Kiritharan counts more than 33 years of experience in the Legal Department. Trained in Sri Lanka and abroad, he is a Member of the Bar Council of Sri Lanka and a Member of the Registration of Title Act Committee of the Bar Association. He has served as Chief Examiner of the Institute of Bankers, Sri Lanka.

In addition to overseeing the Legal Affairs of the Bank, Mr. Kiritharan is a Director of BOC Property Development and Management (Private) Limited. He also served as a Director on the Board of Merchant Bank of Sri Lanka PLC and formerly was an Alternate Director of Mireka Capital Land (Private) Limited. He was also a Past President and Secretary of the Association of Lawyers in Employment. He is the President of the BOC Hindu Association and BOC Sports Club.

12. ROHAN PEIRIS

Head of Information Technology
M.Sc.-IT (UK), CITP (UK), MBCS (UK), MPMI (UK), MCS (SL)

Mr. Peiris counts for over 27 years of experience in the fields of Data Processing and Information and Communication Technology. He has been heading the IT divisions of leading commercial banks and also had served in very senior positions in very well-known financial institutions. He also has extensive exposure to Software Development, Project Management and has also led pioneering companies in the country on Facilities Management. He also has been in the fore front of managing state-of-the-art data centres with high availability redundant data and voice networks of leading financial institutions. He was also appointed as the National Consultant on IT projects funded by UNIDO. He has served in many committees of national interest and is also ITIL certified.

13. DR. W G KARUNADASA

Chief Internal Auditor
DBA (EU), MBA, FCA, FSCMA, CMA

Dr. Karunadasa is a fellow member of The Institute of Chartered Accountants of Sri Lanka, counts for over 30 years of experience in the fields of Accounting, Auditing and Financial Management. He has been heading the Internal Audit Departments/Finance Departments of leading commercial establishments and financial institutions of Sri Lanka for more than two decades.

14. TREVINE FERNANDOPULLE

Chief Risk Officer
B.Sc (Hons) (Imperial College, London), M.Sc. (London School of Economics), F.C.I.B. (London), President Chartered Institute of Bankers - Sri Lanka

Joined Bank of Ceylon in May, 2009 and has been instrumental in formally establishing the Independent Integrated Risk Management Division.

He comes with 30 years Banking experience with HSBC Sri Lanka and retired as its Deputy Chief Executive Officer in December 2008. In 1996 he was attached to Saudi British Bank on a 3 year secondment from HSBC as Manager Corporate Banking, which also included the responsibility of re-structuring the Credit Control and Credit Administration Departments. He has wide experience covering all aspects of Commercial Banking including Corporate, Retail and International Trade at HSBC with over 10 years in Credit Risk Management and setting up the Department in HSBC Sri Lanka, whilst also being its first Head of Credit Risk. Was actively involved in the successful issue of the debut Sovereign Bond for USD 500 million for the Government of Sri Lanka. He has been extensively trained in Corporate Banking & Risk Management in Hong Kong, UK, India and the Middle East.

15. DR. LIONEL SIRIWARDENA

Head of Research and Development
(MA, Ph.D.)

Dr. Siriwardena counts 20 years experience in the banking sector macroeconomic research. Prior to his appointment as Head of Research and Development, he worked at the UNDP Regional Centre for Asia Pacific Region as a Senior Researcher and as Research Director at the People's Bank. He served many international agencies as Micro Finance Specialist and SME Banking Development Consultant for Asia Pacific countries. He has extensive research experience gained through working as a visiting research fellow for many foreign universities. His research contribution on post-conflict development and growth, financial diversification, investment banking and branchless banking technology application facilitate BOC's new era of banking services to the nation.

16. W A ASOKA RUPASINGHE

Chief Financial Officer
FCA (Sri Lanka), B.Sc. (Business) - University of SJP, MBA in Finance - University of Southern Queensland, Australia

Over 23 years of experience in finance of which 13 years in the financial services industry. Prior to joining BOC, he worked as Head of Corporate Financial Affairs at Commercial Bank of Qatar in Qatar for 10 years. Before leaving for Qatar, he worked as Head of Finance and Administration at Securities and Exchange Commission of Sri Lanka. He completed his professional training at KPMG. He has special exposure in Mergers & Acquisitions, cross-border listing, cross-border fund-raising through EMTN programmes and GDRs and specialised in group performance management. During his previous employment, he was engaged in a number of key acquisitions and divestments. He had been in lecture panels in several educational institutions including The Institute of Chartered Accountants of Sri Lanka, University of Sri Jayawardenapura teaching auditing, accounting and management accounting. Mr. Rupasinghe joined the Bank on 12 October 2009.

Sketches of the members of the Corporate Management are enclosed.

EXECUTIVE MANAGEMENT TEAM

1. Ms. B C D Wijekulasuriya
AGM - Product & Development Banking

2. Ms. Y A M M P Karunadharma
AGM - Metropolitan Branch

3. Ms. S W S Fernando
AGM - Province Sales Management

4. M R D Thilakasiri
AGM - Accounting & MIS

5. Ms. K M Amarasuriya
AGM - Recovery (Provinces)

6. Ms. R G V S Gunatilake
AGM - Marketing

7. Ms. W K I Kularatne
AGM - Western Province North

8. Ms. K A D Fernando
AGM - Offshore Banking

9. J W P Mohotti
AGM - Support Services

10. D M Gunasekera
AGM - Corporate Relations

11. P J Jayasinghe
AGM - Corporate Credit

12. P A Lionel
AGM - Treasury

13. H M Mudiyanse
AGM - North Western Province

14. N Welengoda
AGM - Southern Province

15. R N Edirisinghe
AGM - Customer Relations

16. Ms. Sriyani Anandagoda
AGM - Trade Finance

17. D L C Atapattu
AGM - Central Province

18. H K W Gunasinghe
AGM - Sabaragamuwa Province

19. G R Hettithanthiri
AGM - Superannuation Schemes

20. Ms. K A D A Pemadasa
AGM - Administrative Services

21. D S P R Senanayake
AGM - Credit Audit

22. Ms. P R Unawatuna
AGM - Branch Credit

23. Ms. L W Wijesundera
AGM - Recovery (Corporate)

24. K B S Bandara
AGM - Overseas Branches

25. D N J Costa
AGM - North Central Province

26. W P R P H Fonseka
AGM - Budget & Strategic Planning

27. I G C Madadeniya
Country Manager (London)

28. T Mutugala
AGM - Information System Audit

29. M F S W Stembo
AGM - BOC Card Centre

30. M Wickramasinghe
AGM - Human Resource Operations

31. Ms. L S L De S Wijeyeratne
AGM - Pettah Branch

32. D N L Fernando
AGM - Western Province South

33. K T Karunaratne
AGM - Support Services (Designate)

34. D M L C Kumara
AGM - Country Manager - Male

35. T M Safa
AGM - Country Manager - Chennai

36. S S S Senanayake
AGM - Investigation

37. N Sivaratnam
AGM - Northern Province

38. W G Ariyaratne
AGM - Consumer Product Management

39. G H Chandrasiri
AGM - Business Process Re-Engineering Project

40. M L J Fernando
AGM - Risk Management

41. G L P Jinasoma
AGM - Uva Province

42. S M S C Jayasuriya
AGM - Investment Operations

43. G D Silva
AGM - Training & Development

44. C W Welagedera
AGM - Eastern Province

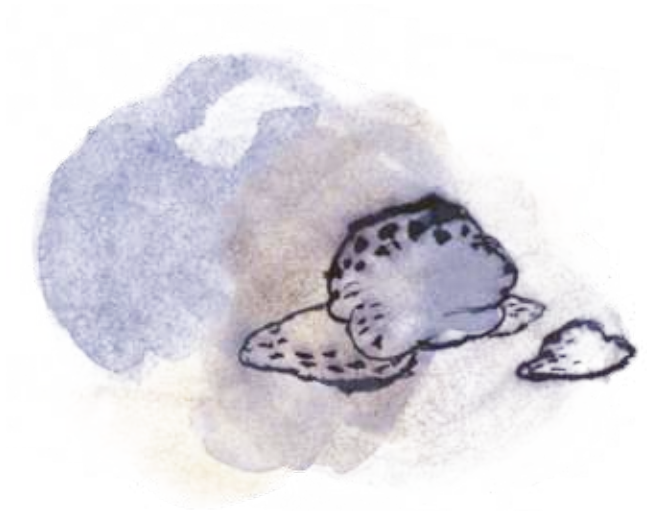
45. K G Jinadasa
Deputy Chief Legal Officer (Operations)

46. M K Muthukumar
Deputy Chief Legal Officer (Recovery)

47. Ms. W K Samarasinghe
Assistant Director IT (App. Systems)

48. H R F Fonseka
Assistant Director IT (Operations/Tech. Support)

49. Ms. J S Siriwardane
Secretary to the Board



Sketches of the members of the Executive Management are enclosed.

Bank of Ceylon has evolved continuously over the years, undergoing changes in its business operations, branch network, ownership, people, products and services to emerge as the largest financial service provider in Sri Lanka. Such progress is summarised below:

1939
Bank of Ceylon established as the nation's first modern, locally-owned bank. Ceremonially opened on 1 August by Governor, Sir Andrew Caldecott, at the present-day premises of the City Office.

1941
Operations commence in Kandy with opening of a branch office. Other branches opened subsequently in other large outstation towns: Galle, Jaffna and Trincomalee.

1946
Foreign Department established. Operates from offices at the Grand Oriental Hotel (GOH) Building, Colombo Fort.

1949
First overseas branch opens in London shortly after Independence; it is the thirteenth bank branch to be opened.

1953
C Loganathan becomes first Sri Lankan General Manager.

1954
Central Office moves from City Office to premises at GOH Building.

1959
Authorised capital enhanced to Rs. 50 million by Act of Parliament.

1961
Nationalisation. The Government of Ceylon becomes sole owner of Bank of Ceylon.

Kachcheri branch network set up in alignment with the Government's District Administration System.

1973
Agriculture Service Centre concept implemented. Operations commence at over 350 Agricultural Service Centre Branches. Comprehensive Rural Credit Scheme implemented.

1978
Non-Residents Foreign Currency (NRFC) deposit scheme introduced.

1979
Off-shore banking operations commence with the establishment of the Foreign Currency Banking Unit.

1980
Computer Division established; automation of business operations commences.

1981
Branch opened in Malé, Republic of Maldives.

1985
Head Office moves to 32-storey BOC Tower in Colombo.

1988
Installation of the first BOC ATMs ushers in the electronic banking era.

1989
Ceybank Visa credit card introduced in collaboration with Visa International.

1995
Overseas branch network augmented with offices in Madras and Karachi.

1996
Joint venture with Nepal Bank establishes Nepal Bank of Ceylon Limited.

1998
MoU with Government results in greater management autonomy and target-based performance.

2000
Authorised capital further enhanced to Rs. 50 billion by Act of Parliament.

2004
Real estate subsidiary Mireka Capital Land (Private) Limited formed to invest in Havelock City, the largest single condominium development in Sri Lanka.

2005
Balance Sheet footings top Rs. 300 billion, the largest asset base of any Sri Lankan bank.

Wide range of relief, rehabilitation and reconstruction activities undertaken and financed in the aftermath of the December 2004 tsunami.

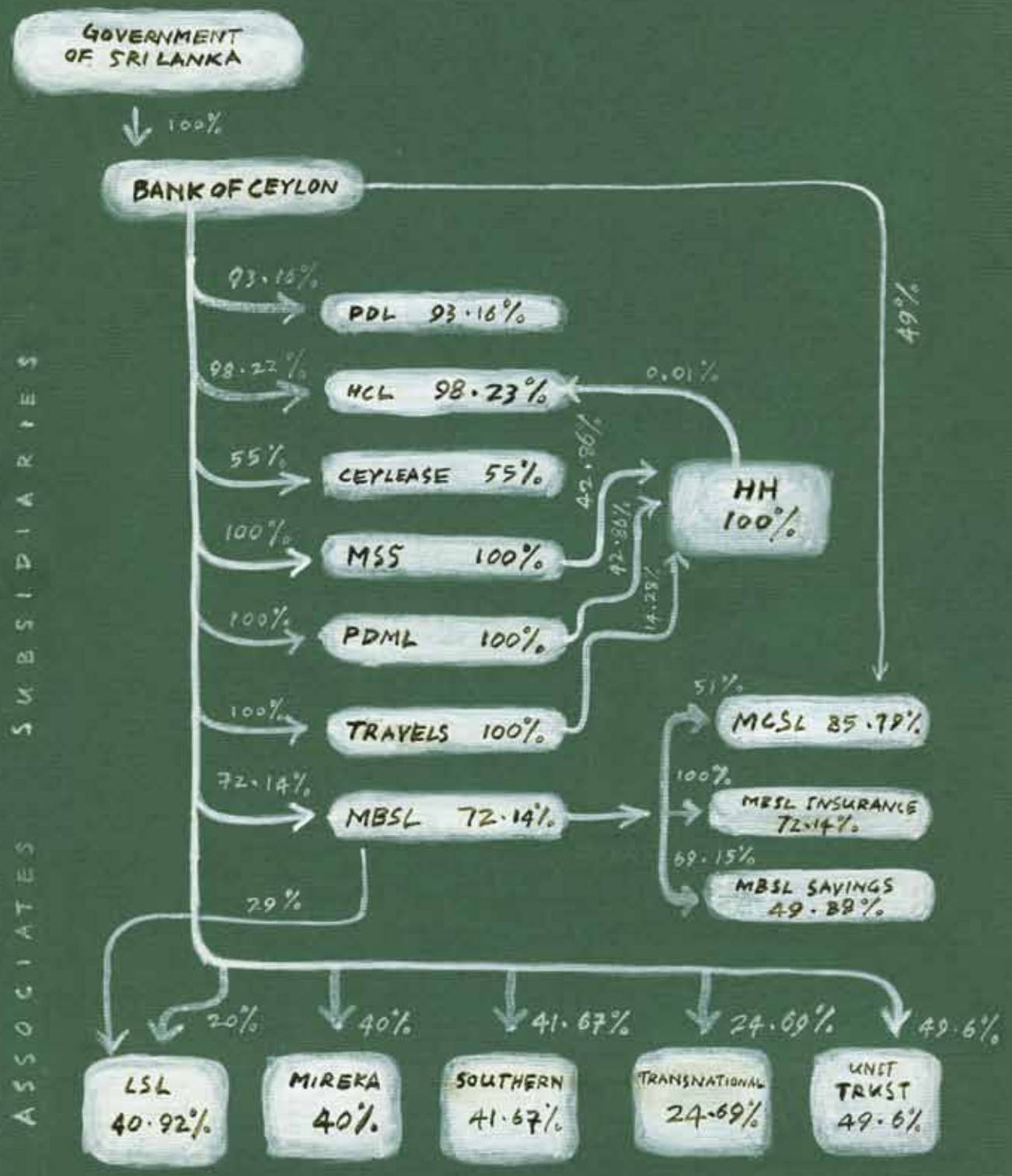
2006
Wins IBM/FISERV prize for the fastest deployment of an online core banking system in Asia Pacific region.

2007
Raises US$ 210 million, the largest internationally syndicated debt by any Sri Lankan issuer; appointed Co-Manager of historic US$ 500 million debut bond issued by the Government of Sri Lanka; commences Village Development Programme focused on engaging rural communities.

2008
Raises Rs. 4.2 billion via a listed subordinated rupee debenture of 5 years; raises US$ 21.6 million via a private placement of a 5-year subordinated dollar debenture.

2009
BOC completed on-line branch network by bringing in Kilinochchi, Mankulam and Mullaitivu branches into the network, the operations of which was disrupted during the war. BOC celebrated 70th Anniversary.

GROUP STRUCTURE



PDL	-	Property Development PLC
Ceylease	-	Ceylease Financial Services Limited
HCL	-	Hotels Colombo (1963) Limited
Travels	-	BOC Travels (Pvt) Limited
MBSL	-	Merchant Bank of Sri Lanka PLC
MCSL	-	Merchant Credit of Sri Lanka Limited
HH	-	Ceybank Holiday Homes (Pvt) Limited
MBSL Insurance	-	MBSL Insurance Company Limited
PDML	-	BOC Property Development & Management (Pvt) Limited
MSS	-	BOC Management & Support Services (Pvt) Limited
MBSL Savings	-	MBSL Savings Bank Limited
Mireka	-	Mireka Capital Land (Pvt) Limited
LSL	-	Lanka Securities (Pvt) Limited
Unit Trust	-	The Unit Trust Management Company (Pvt) Limited
Southern	-	Southern Development Financial Company Limited
Transnational	-	Transnational Lanka Record Solutions (Pvt) Limited

	Principal Activities	Bank's Interest %	Directors	Highlights	2009 Rs. million	2008 Rs. million
SUBSIDIARY COMPANIES						
Property Development PLC 19th Floor, BOC Head Office Building, No. 4, Bank of Ceylon Mawatha, Colombo 01 Tel: 011 2544328	Maintain, manage and develop utility and value of the Bank of Ceylon head office building	93.16	Dr. Gamini Wickramasinghe *(Chairman)* Mr. B M Amarasekera Dr. M S Perera Ms. L L N Perera *(Resigned with effect from 22/10/2009)* Mr. G R Hettithanthri *(Alternate Director to Ms. L L N Perera, ceased to be the alternate with effect from 22/10/2009)* Mr. L N De Silva Wijeyeratne Mr. Raju Sivaraman *(Resigned with effect from 31/12/2009)* Merchant Bank of Sri Lanka PLC *(Secretaries)*	Total assets Investment Profit before tax Profit after tax EPS (Rs.)	2,122.26 740.07 453.69 292.81 4.44	2,026.39 740.07 498.13 319.63 4.84
Merchant Bank of Sri Lanka PLC BOC Merchant Tower, No. 28, St. Michael's Road, Colombo 03 Tel: 011 4711711, 011 2565636	Leasing and hire purchase trade finance, corporate advisory services, fund management, capital market activities and corporate secretarial and legal services	72.14	Mr. Janaka Rathnayake *(Chairman)* Ms. W A Nalini Dr. Ranjith Bandara Mr. M S S Paramananda Mr. Lakshman Perera Mr. J G B P Tissera Mr. P G Rupasinghe Mr. V Kanagasabapathy Ms. Marina Pillips *(Secretary)*	Total assets Investment Profit before tax Profit after tax EPS (Rs.)	5,578.92 2,122.64 254.26 200.98 2.19	4,768.13 1,774.73 203.41 205.08 2.28
BOC Management & Support Services (Private) Limited 25th Floor, BOC Head Office Building, No. 4, Bank of Ceylon Mawatha, Colombo 01 Tel: 011 2446790	Provides management services	100	Mr. B A C Fernando *(Chairman)* Ms. L S L De S Wijeyeratne Mr. M F S W Stembo Mr. J W P Mohotti *(Alternate Director to Mr. B A C Fernando)* Merchant Bank of Sri Lanka PLC *(Secretaries)*	Total assets Investment Profit before tax Profit after tax EPS (Rs.)	8.09 1.00 0.54 0.35 0.35	7.55 1.00 0.28 0.18 0.18
BOC Property Development & Management (Private) Limited 19th Floor, BOC Head Office Building, No. 4, Bank of Ceylon Mawatha, Colombo 01 Tel: 011 2388229	Renting of office space of BOC Merchant Tower in Colombo 03 and Ceybank House in Kandy.	100	Mr. B A C Fernando *(Chairman)* Ms. S W S Fernando Mr. P J Jayasinghe Mr. M Kiritharan Ms. L T S de Silva *(Alternate Director to Mr. B A C Fernando, ceased to be the alternate with effect from 31/12/2009)* Merchant Bank of Sri Lanka PLC *(Secretaries)*	Total assets Investment Profit before tax Profit after tax EPS (Rs.)	905.40 1,010.00 54.82 31.22 0.31	866.31 1,010.00 65.79 51.85 0.51
BOC Travels (Private) Limited 1st Floor, BOC Super Grade Branch Building, Baseline Road, Colombo 08 Tel: 011 2688154-8	Engage in travel-related services	100	Dr. Gamini Wickramasinghe *(Chairman)* Mr. B A C Fernando Mr. C Wijayatilake Mr. M K Muthukumar Ms. W A Nalani *(Alternate Director to Mr. B A C Fernando)* Ms. D N Wanniaratchi Mr. Gerard Victoria Merchant Bank of Sri Lanka PLC *(Secretaries)*	Total assets Investment Profit before tax Profit after tax EPS (Rs.)	104.54 2.50 20.36 16.22 81.44	108.17 2.50 27.12 21.72 86.86

	Principal Activities	Bank's Interest %	Directors	Highlights	2009 Rs. million	2008 Rs. million
Hotels Colombo (1963) Limited P.O. Box 152, No. 2, York Street, Colombo 1 Tel: 011 2320391-3	Provides hotel services	98.23	Dr. Buddhadasa Kaluarachchi *(Chairman)* Mr. J C Ratwatte Mr. Gunaratne Gallage *(Resigned with effect from 31.12.2009)* Mr. Leslie Weeramanthri Mr. G K A Chaminda K Kularatne Mr. B A C Fernando Mr. M K Nandasiri Mr. M P R Kumara Merchant Bank of Sri Lanka PLC *(Secretaries)*	Total assets Investment Profit before tax Profit after tax EPS (Rs.)	140.41 0.74 (14.61) (14.68) –	132 0.74 (15.79) (15.79) –
Merchant Credit of Sri Lanka Limited 11th Floor, BOC Merchant Tower, No. 28, St. Michael's Road, Colombo 03 Tel: 011 2301500-3	Acceptance of deposits, granting lease facilities, hire purchase, loan and other credit facilities and real estate developments and related services	85.79	Mr. Janaka Rathnayake *(Chairman)* Mr. A P G Karunathilake Mr. H M A B Weerasekera Ms. Sriyani Anandagoda Dr. Buddhadasa Kaluarachchi Mr. D M Gunasekara *(Resigned with effect from 28.10.2009)* Merchant Bank of Sri Lanka PLC *(Secretaries)*	Total assets Investment Profit before tax Profit after tax EPS (Rs.)	3,817.32 22.05 91.14 70.84 7.00	2,842.44 22.05 44.48 37.91 4.00
Ceylease Financial Services Limited No. 182, Platinum Tower, Elvitigala Mawatha, Colombo 08 Tel: 011 2681850, 011 2358000	Provides leasing, hire purchase, commercial loan facilities and real estate development and sales	55.00	Dr. Gamini Wickramasinghe *(Chairman) (Resigned with effect from 31.12.2009)* Mr. Raju Sivaraman *(Assigned Chairman)* Ms. K A D Fernando Mr. Aslam Omar Mr. B Premalal Mr. Kishan Jayasekara Mr. S Liyanwala Varners International (Private) Limited *(Secretaries)*	Total assets Investment Profit before tax Profit after tax EPS (Rs.)	1,449.21 110.00 (132.21) (105.95) –	1,788.06 50.00 13.92 8.56 0.86
Ceybank Holiday Homes (Private) Limited 12th Floor, BOC Head Office Building, No. 4, Bank of Ceylon Mawatha, Colombo 01 Tel: 011 2447845	Operating of Pilgrims Rests/Holiday Homes/ Guest Houses	100	Dr. Gamini Wickramasinghe *(Chairman)* Mr. B A C Fernando Mr. W D F Wimalarathne Mr. D M Gunasekara Ms. K A D A Pemadasa Ms. J S Siriwardane Mr. J G Victoria Mr. K Dharmasiri *(Alternate to Mr. B A C Fernando)* Ms. J S Siriwardane *(Secretary)*	Total assets Investment Profit before tax Profit after tax EPS (Rs.)	10.04 – 3.65 2.81 40,182.18	5.03 – (1.43) (1.47) –
MBSL Insurance Company Limited No. 388, Galle Road, Colombo 03. Tel: 011 2303560 - 565 011 7390520, 011 4739900	Offers Life and General insurance products	72.14	Mr. Janaka Rathnayake *(Chairman)* Mr. S Gajanayaka *(Managing Director)* Mr. J G B P Tissera Mr. A P G Karunathilake Mr. G K A Chaminda K Kularatne Mr. H M P B Herath Merchant Bank of Sri Lanka PLC *(Secretaries)*	Total assets Investment Profit before tax Profit after tax EPS (Rs.)	449.37 – (66.35) (66.35) –	358.21 – (85.22) (86.15) –

	Principal Activities	Bank's Interest %	Directors	Highlights	2009 Rs. million	2008 Rs. million
ASSOCIATE COMPANIES						
Lanka Securities (Private) Limited No. 228/2, Galle Road, Colombo 03 Tel: 011 4706757	Equity trading, debt trading and placement	40.92	Mr. Salmaan Taseer *(Chairman)* Mr. M Eshan ul-Haq Mr. R Siriwardena Mr. K Dharmasiri Mr. Farooq Bin Habib Mr. K U D Gamage Mr. J W M J P K Rathnayake Mr. Shahbaz Ali Taseer *(Alternate Director to Mr. Salmaan Taseer)* Mr. Hamid Ur Rehman *(Alternate to Mr. M Eshan ul-Haq)* Mr. Syed Akbar Naqizaidi *(Alternate to Mr. Farooq Bin Habib)* Merchant Bank of Sri Lanka PLC *(Secretaries)*	Total assets Investment Profit before tax Profit after tax EPS (Rs.)	504.49 41.94 100.37 62.51 4.47	367.22 41.94 56.80 37.42 2.06
Mireka Capital Land (Private) Limited No. 324, Havelock City, Colombo 05 Tel: 011 2596793, 011 2502247	Purchasing, hiring and acquiring real estate properties, real estate development	40	Mr. S P Tao *(Chairman)* Mr. H Z Cassim Mr. L R De Lanerolle Ms. M T Ong Ms. R L Nanayakkara Mr. A M De S Jayaratne Dr. Gamini Wickramasinghe Mr. W P R P H Fonseka Mr. Raju Sivaraman *(Resigned with effect from 31/12/2009)* Ms. B C D Wijekulasuriya *(Alternate Director to Dr. Gamini Wickramasinghe)* Mr. W D Barnabas *(Alternate Director to Ms. M T Ong)* Mr. Kang Ho Lee *(Alternate Director to Mr. S P Tao)* Mr. M R D Thilakasiri *(Alternate Director to Mr. Raju Sivaraman, ceased to be the alternate with effect from 31/12/2009)* Mr. T. Mutugala *(Alternate Director to Mr. W P R P H Fonseka)* Ms. Jayanga Kumudu Kumari Wegodapola *(Secretary)*	Total assets Investment Profit before tax Profit after tax EPS (Rs.)	5,635.17 750.00 106.56 106.54 0.57	5,192.64 750.00 91.15 82.44 0.44
Southern Development Financial Company Limited No. 18, Bandarawatta, Pamburana, Matara Tel: 041 2221618	Venture capital funding	41.67	Mr. R Gunasekara *(Chairman)* Mr. N Welengoda Mr. A Siripala MSL Galle (Private) Limited *(Secretaries)*	Total assets Investment Profit before tax Profit after tax EPS (Rs.)	43.12 25.00 (1.73) (2.15) –	46.10 25.00 (1.65) (2.02) –

	Principal Activities	Bank's Interest %	Directors	Highlights	2009 Rs. million	2008 Rs. million
Transnational Lanka Record Solutions (Private) Limited No. 160/16, Kirimandala Mawatha, Narahenpita, Colombo 05 Tel: 011 2369007, 011 2369001-4	Real estate - renting out properties	24.69	Mr. C Samarasinghe *(Chairman)* Mr. I D Weerasena Mr. L R Watawala Mr. D K W Liew Mr. M H Cassim Mr. Samuel Jebanesan Jebaratnam PW Corporate Secretarial (Private) Limited *(Secretaries)*	Total assets Investment Profit before tax Profit after tax EPS (Rs.)	120.43 20.00 19.72 16.22 0.20	112.34 20.00 (4.84) (4.84) –
The Unit Trust Management Company (Private) Limited 3rd Floor, BOC Building, York Street, Colombo 01 Tel: 011 2448403, 011 2327857	Managing Unit Trust Funds & Private Portfolio	49.60	Ms. Siromi Wickramasinghe *(Chairman)* Mr. M Selvanathan Mr. B A C Fernando Mr. N A Nicoalou Mr. M S P R Perera Mr. B Babu Rao Mr. C Sathkumara Mr. P A Lionel *(Alternate Director to Mr. B A C Fernando)* Carsons Management Services (Private) Limited *(Secretaries)*	Total assets Investment Profit before tax Profit after tax EPS (Rs.)	224.23 31.05 19.01 10.87 4.35	266.36 5.00 24.56 14.52 5.81
MBSL Savings Bank Limited No. 2, Deal Place, Colombo 03. Tel: 011 2374000	Offers saving products	49.88	Mr. Janaka Rathnayake *(Chairman)* Mr. Gamini Karunathilake Dr. T Senthilverl Mr. B R S T Edirisinghe Mr. P G Rupasinghe Mr. Lakshman Perera Mr. Imitiyaz Nulair Mr. Ranjith Siriwardena Dr. Ranjith Bandara *(Resigned with effect from 21.12.2009)* Mr. A V C Fernando *(Secretary)*	Total assets Investment Profit before tax Profit after tax EPS (Rs.)	2,138.77 – 40.26 40.26 0.42	2,434.54 – (371.87) (371.87) –

CORPORATE OFFICES & OVERSEAS BRANCHES

REGISTERED HEAD OFFICE

No. 4, Bank of Ceylon Mawatha,
Colombo 1, Sri Lanka.
Tel: +94 11 2446790-811 (22 lines)
+94 11 2338741-55 (15 lines)
+94 11 2544340-344 (5 lines)
Telegraphic Address: 'HEADBANK'
Telex 21331 BOCST CE
SWIFT Code: BCEYLKLX
Website: www.boc.lk

INTERNATIONAL DIVISION

9th Floor, Head Office Building,
No. 4, Bank of Ceylon Mawatha,
Colombo 1, Sri Lanka.

Correspondent Banking Division

9th Floor, Head Office Building.
No. 4, Bank of Ceylon Mawatha,
Colombo 1, Sri Lanka.
Tel: +94 11 2445791
Fax: +94 11 2445791
Email: corresbd@boc.lk, cdb@boc.lk

Swift/Telex Centre

9th Floor, Head Office Building.
No. 4, Bank of Ceylon Mawatha,
Colombo 1, Sri Lanka.
Tel: +94 11 2544309
Fax: +94 11 2447171
Email: swift@boc.lk

Inward Remittances

8th Floor, Head Office Building.
No. 4, Bank of Ceylon Mawatha,
Colombo 1, Sri Lanka.
Tel: +94 11 2445792, 2541933, 5742978
Fax: +94 11 2344845
Email: irdept@boc.lk

TREASURY DIVISION

7th Floor, Head Office Building.
No. 4, Bank of Ceylon Mawatha,
Colombo 1, Sri Lanka.

Dealing Room

7th Floor, Head Office Building.
No. 4, Bank of Ceylon Mawatha,
Colombo 1, Sri Lanka.
Tel: +94 11 2445785-7, 2386862
Fax: +94 11 2445788
Email: chiefdealer@boc.lk

Primary Dealer Unit

7th Floor, Head Office Building.
No. 4, Bank of Ceylon Mawatha,
Colombo 1, Sri Lanka.
Tel: +94 11 2448830
Fax: +94 11 2448207
Email: pdu@boc.lk

CORPORATE BRANCH

1st, 2nd, 3rd Floors, Head Office Building,
No. 4, Bank of Ceylon Mawatha,
Colombo 1, Sri Lanka.
Tel: +94 11 2446814, 2445803, 2345428
2471613, 2446818-20
Fax: +94 11 2389128, 2446813, 2399561
Telex: Colombo 21499
Email: boc660@boc.lk, corp@boc.lk
SWIFT Code: BCEYLKLX

SECOND CORPORATE BRANCH

3rd Floor, Head Office Building,
No. 4, Bank of Ceylon, Mawatha,
Colombo 1, Sri Lanka.
Tel: +94 11 2325742
Fax: +94 11 2446816
Email: agmrecco@boc.lk

METROPOLITAN BRANCH

Bank of Ceylon Building, York Street,
Colombo 1, Sri Lanka.
Tel: +94 11 2449063, 2329419, 2328521 (10 lines)
Fax: + 94 11 2325629, 2328691, 2320838,
2472646, 2328197
Email: bocmb@boc.lk

TAPROBANE BRANCH

Bank of Ceylon Building, York Street,
Colombo 1, Sri Lanka.
Tel: +94 11 2422267, 2447173,
2328521 (10 lines)
Fax: + 94 11 2430267
Email: boc747@boc.lk

PETTAH BRANCH

Gas Work Street,
Colombo 11, Sri Lanka.
Tel: +94 11 2452368, 2393544,
2434478-9, 2431555
Fax: +94 11 2432629, 2435949
Email: boc004@boc.lk
bocpb@boc.lk

OFF-SHORE BANKING DIVISION

2nd Floor, Head Office Building,
No. 4, Bank of Ceylon Mawatha,
Colombo 1, Sri Lanka.
Tel: +94 11 2338765, 2389123,
2389122, 2346553
Fax: + 94 11 2448776, 2445784,
2346536, 2346551, 2346596
Email: agmoffsho@boc.lk
Telex: 21331 BOCST CE

TRADE SERVICES

2nd Floor, Head Office Building.
No. 4, Bank of Ceylon Mawatha,
Colombo 1, Sri Lanka.
Tel: +94 11 2394310, 2338763
Fax: +94 11 2542170
Email: cmtrade@boc.lk

CARD CENTRE

22nd Floor, Head Office Building.
No. 4, Bank of Ceylon Mawatha,
Colombo 1, Sri Lanka.
Tel: +94 11 2445799, 2471617
Fax: + 94 11 2447823
Email: agmccc@boc.lk

DEVELOPMENT BANKING

25th Floor, Head Office Building.
No. 4, Bank of Ceylon Mawatha,
Colombo 1, Sri Lanka.
Tel: +94 11 239812, 2394592
Fax: +94 11 2439558
Email: agmdb@boc.lk

OVERSEAS BRANCHES

London Branch

Bank of Ceylon
No. 1, Devonshire Square,
London, EC 2M 4WD, United Kingdom.
Tel: 0044 207 8800121, 0044 207 3771888
Telegraphic Address: CEYBANK
Fax: 0044 207 3775430
SWIFT Code: BCEYGB2L
Email: bankofceylon.uk@btclick.com

Malé Branch

Bank of Ceylon,
'Aage' 12,
Boduthakurufaanu Magu
Henveiru, Malé 20094
Republic of Maldives.
Tel: 00960 3323045, 00960 3323046
Fax: 00960 3320575
SWIFT Code: BCEYMVMV
Email: bcmale@dhivehinet.net.mv

Chennai Branch

Bank of Ceylon,
1090, Poonamallee High Road,
Chennai 600 084, India.
Tel: 009144-26423501, 26420972
Fax: 009144-25325590
SWIFT Code: BCEYIN5M
Email: ceybank@vsnl.com

BOC SERVICE POINTS AS AT 31 DECEMBER 2009

BANK OF CEYLON SERVICE POINTS AS AT 31 DECEMBER 2009

Province	No. of Branches	No. of Extention Offices	No. of ATMs	Total Service Points
Central Province	33	25	32	90
Eastern Province	17	24	14	55
North Central Province	30	11	23	64
Northern Province	17	23	19	59
North Western Province	34	14	30	78
Sabaragamuwa Province	24	21	23	68
Southern Province	37	19	36	92
Uva Province	25	12	15	52
Western Province - North	41	13	59	113
Western Province - South	43	18	66	127
Corporate Branches	6	12	10	28
Overseas Branches	3	0	2	5
	310	**192**	**329**	**831**

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CENTRAL PROVINCE

	Name of Branch	Telephone	E-Mail Address
1.	Alawathugoda	066-2242327	boc768@boc.lk
2.	Dambulla ✶	066-2285270	boc576@boc.lk
3.	Digana	081-2375851	boc273@boc.lk
4.	Galagedara	081-2461214	boc615@boc.lk
5.	Galaha	081-2467213	boc101@boc.lk
6.	Galewala ▲	066-2289262	boc432@boc.lk
7.	Gampola ▲	081-2350108	boc575@boc.lk
8.	Gelioya	081-2310214	boc524@boc.lk
9.	Hatton ■	051-2222015	boc040@boc.lk
10.	Kandapola	052-2229636	boc633@boc.lk
11.	Kandy ▲	081-2223697	boc002@boc.lk
12.	Kandy 2nd City	081-2234292	boc649@boc.lk
13.	Katugastota	081-4471640	boc666@boc.lk
14.	Madawala ▲	081-2476214	boc581@boc.lk
15.	Maskeliya	052-2277280	boc506@boc.lk
16.	Matale ▲	066-2222262	boc068@boc.lk
17.	Naula ▲	066-2246280	boc092@boc.lk
18.	Nawalapitiya ■	054-2222233	boc598@boc.lk
19.	Nuwara Eliya ■	052-2224047	boc029@boc.lk
20.	Padiyapelella	052-2287035	boc492@boc.lk
21.	Pallepola ■	066-2247272	boc640@boc.lk
22.	Peradeniya	081-4475283	boc588@boc.lk
23.	Pilimatalawa	081-5740197	boc587@boc.lk
24.	Pundaluoya ■	051-2233205	boc425@boc.lk
25.	Pussellawa ■	081-2478642	boc337@boc.lk
26.	Rattota	066-2255280	boc639@boc.lk
27.	Rikillagaskada ▲	081-2365314	boc167@boc.lk
28.	Talatuoya	081-2404334	boc650@boc.lk
29.	Talawakelle ■	052-2258280	boc531@boc.lk
30.	Udadumbara	081-2402317	boc606@boc.lk
31.	Walapane ▲	052-2279180	boc743@boc.lk
32.	Wattegama	081-2475838	boc340@boc.lk
33.	Yatawatta	066-2221084	boc144@boc.lk

Holiday Banking Service	
Saturday	▲
Sunday	■
Saturday & Sunday	✶
Night Banking	●

	Extension Office	Telephone
1.	Agarapatana ■	051-2230133
2.	Akurana	081-2301477
3.	Bogawanthalawa ■	052-2267599
4.	BOI Pallekele	081-5672445
5.	Bokkawala	081-2461056
6.	Danture	081-2575228
7.	Daulagala	081-2315171
8.	Economic Centre - Dambulla ●	066-2285217
9.	Digana Village	081-2376928
10.	Gampola Bazaar	081-2354214
11.	Ginigathhene	051-2242310
12.	Kandy City Centre ✶	081-2205110
13.	Kandy Kachcheri	081-2224214
14.	Kandy Teaching Hospital	081-2233335
15.	Kotagala ■	051-2223206
16.	Matale Kachcheri	066-2222024
17.	Meepilimana	052-2234410
18.	Nuwara Eliya Kachcheri	052-2222233
19.	Palapathwala	066-2225505
20.	Peradeniya Botanical Garden	081-2386463
21.	Poojapitiya	081-2301718
22.	Ragala ■	052-2265660
23.	Sigiriya	066-2286270
24.	Teldeniya	081-2376280
25.	University of Peradeniya	081-2388301

	ATMs	No.
1.	Alawathugoda	1
2.	Dambulla	1
3.	Dambulla Night Bazaar	1
4.	Digana	1
5.	Galagedara	1
6.	Galewela	1
7.	Gampola	1
8.	Gelioya	1
9.	Hatton	1
10.	Kandy	4
11.	Kandy Hospital	1
12.	Kandy 2nd City	2
13.	Katugastota	1
14.	Madawala Bazaar	1
15.	Maskeliya	1
16.	Matale	2
17.	Naula	1
18.	Nawalapitiya	1
19.	Nuwara Eliya Kachcheri	1
20.	Nuwara Eliya	1
21.	Pallekelle	1
22.	Peradeniya	3
23.	Rikillagaskada	1
24.	Talawakelle	1
25.	Udadumbara	1

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EASTERN PROVINCE

	Name of Branch	Telephone	E-Mail Address
1.	Akkaraipattu	067-2279242	boc590@boc.lk
2.	Ampara	063-2222981	boc021@boc.lk
3.	Batticaloa	065-2227410	boc012@boc.lk
4.	Chenkalady	065-2240492	boc630@boc.lk
5.	Hingurana	063-2240037	boc509@boc.lk
6.	Kalmunai	067-2229340	boc510@boc.lk
7.	Kalawanchikudy	065-2250012	boc611@boc.lk
8.	Kantale	026-2234361	boc623@boc.lk
9.	Kattankudy	065-2246613	boc648@boc.lk
10.	Kinniya	026-2236270	boc735@boc.lk
11.	Muttur	026-2238327	boc118@boc.lk
12.	Nintavur	067-2250039	boc591@boc.lk
13.	Pottuvil	063-2248021	boc318@boc.lk
14.	Sammanthurai ▲	067-2260054	boc440@boc.lk
15.	Trincomalee	026-2223084	boc006@boc.lk
16.	Trincomalee Bazaar ▲	026-2223880	boc624@boc.lk
17.	Valachchenai	065-2257708	boc626@boc.lk

	Extension Office	Telephone
1.	Addalaichchenai	067-2279303
2.	Ampara Kachcheri	063-2222233
3.	Arayampathy	065-2247939
4.	Batticaloa	065-2227032
5.	Batticaloa Kachcheri	065-2257708
6.	Chinabay (4th Mile Post)	026-2242327
7.	Eastern University	065-2240490
8.	Eravur	065-2241012
9.	Gonagolla	063-2224943
10.	Kallady	065-2227962
11.	Karadiyanaru	065-2241330
12.	Kokkaddicholai	065-2227916
13.	Maruthamunai	067-2220503
14.	Nilaveli	065-2232290
15.	Oddamavadi	065-2258111
16.	Sainthamarathu	067-2220478
17.	Serunuwara	026-3266531
18.	Thambiluvil	067-2265309
19.	Thampalagamam	026-2248043
20.	Thoppur	026-2240989
21.	Trincomalee Kachcheri	026-2222465
22.	Uhana	063-2223529
23.	Vakarai	065-2258181
24.	Vellavely	065-2251113

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NORTH CENTRAL PROVINCE

	ATMs	No.
1.	Akkaraipattu	1
2.	Ampara	1
3.	Batticaloa	1
4.	Chenkalady	1
5.	Kalawanchikudy	1
6.	Kalmunai	1
7.	Kantale	1
8.	Mutur	1
9.	Naval Base - Trincomalee	1
10.	Pothuvil	1
11.	Sammanthurai	1
12.	Trincomalee	1
13.	Trincomalee - Air Force - China Bay	1
14.	Valachchenai	1

	Name of Branch	Telephone	E-Mail Address
1.	Anuradhapura ▲	025-2222715	boc022@boc.lk
2.	Anuradhapura Bazaar ▲	025-2222160	boc551@boc.lk
3.	Anuradhapura New Town ▲	025-2223685	boc098@boc.lk
4.	Aralaganwila ▲	066-2279257	boc599@boc.lk
5.	Bakamoona ▲	066-2256680	boc652@boc.lk
6.	Dehiattakandiya ▲	027-2250287	boc686@boc.lk
7.	Eppawala	025-2249180	boc692@boc.lk
8.	Galenbindinuwewa ▲	025-2258280	boc122@boc.lk
9.	Galkiriyagama ▲	025-2263062	boc653@boc.lk
10.	Galnewa ▲	025-2269580	boc514@boc.lk
11.	Hingurakgoda ■	027-2247642	boc601@boc.lk
12.	Horowpothana ▲	025-2278416	boc217@boc.lk
13.	Ipalogama ■	025-2264279	boc236@boc.lk
14.	Jayanthipura ▲	027-2222266	boc600@boc.lk
15.	Kaduruwela ▲	027-2222416	boc502@boc.lk
16.	Kahatagasdigiliya ▲	025-2247480	boc622@boc.lk
17.	Kebithigollawa ■	025-2298680	boc621@boc.lk
18.	Kekirawa ▲	025-2264280	boc676@boc.lk
19.	Madatugama ▲	025-2264283	boc654@boc.lk
20.	Medawachchiya ▲	025-2245683	boc162@boc.lk
21.	Medirigiriya ▲	027-2248337	boc641@boc.lk
22.	Meegalewa ■	025-2269609	boc728@boc.lk
23.	Mihintale ▲	025-2266503	boc335@boc.lk
24.	Nochchiyagama	025-2257880	boc656@boc.lk
25.	Padavi Parakramapura ▲	025-2254018	boc127@boc.lk
26.	Pemaduwa ▲	025-2223307	boc152@boc.lk
27.	Polonnaruwa New Town ▲	027-2223009	boc053@boc.lk
28.	Sewagama ▲	027-2222585	boc183@boc.lk
29.	Thambuttegama ▲	025-2276280	boc655@boc.lk
30.	Tirappane ▲	025-2223352	boc157@boc.lk

	Extension Office	Telephone
1.	Anuradhapura Kachcheri	025-2222142
2.	Galamuna ■	027-2226650
3.	General Hospital - Anuradhapura	025-2222261
4.	Minneriya ■	027-2245333
5.	Padaviya	025-2253011
6.	Rajanganaya ■	025-2276558
7.	Rajina Junction - Thambuttegama	025-2275057
8.	Rambewa	025-2066555
9.	Ranajayapura	025-2262003
10.	Sevanapitiya ▲	027-3277263
11.	Thalawa	025-2275090

	ATMs	No.
1.	Air Force - Anuradhapura	1
2.	Air Force - Hingurakgoda	1
3.	Anuradhapura	2
4.	Anuradhapura Bazaar	1
5.	Anuradhapura Hospital	1
6.	Bakamoona	1
7.	Dehiattakandiya	1
8.	Galenbindunuwewa	1
9.	Galnewa	1
10.	Hingurakgoda	1
11.	Horowpothana	1
12.	Kaduruwela	1
13.	Kekirawa	1
14.	Maliban Textiles (Private) Limited - Dehiaththakandiya	1
15.	Medawachchiya	1
16.	Medirigiriya	1
17.	Mihintale	1
18.	New Town - Anuradhapura	1
19.	Padavi Parakramapura	1
20.	Polonnaruwa Hospital	1
21.	Ranajayapura Extension Office	1
22.	Tambuttegama	1

Holiday Banking Service

Saturday	▲
Sunday	■
Saturday & Sunday	✶
Night Banking	●

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NORTHERN PROVINCE

	Name of Branch	Telephone	E-Mail Address
1.	Atchuvely ▲	021-2263402	boc778@boc.lk
2.	Chavakachcheri ▲	021-2227396	boc501@boc.lk
3.	Chunnakam ▲	021-2223969	boc053@boc.lk
4.	Jaffna ▲	021-2225624	boc005@boc.lk
5.	Jaffna 2nd	021-2226033	boc500@boc.lk
6.	Kankesanthurai	021-2225654	boc605@boc.lk
7.	Karainagar	021-2228278	boc749@boc.lk
8.	Kayts ▲	021-2225274	boc063@boc.lk
9.	Kilinochchi	021-2283949	boc093@boc.lk
10.	Manipay ▲	021-2227456	boc281@boc.lk
11.	Mankulam	071-2348783	boc574@boc.lk
12.	Mannar ▲	023-2232337	boc046@boc.lk
13.	Mullaitivu	021-2228941	boc511@boc.lk
14.	Nelliady ▲	021-2263260	boc638@boc.lk
15.	Point Pedro ▲	021-2263570	boc028@boc.lk
16.	Thirunelveli ▲	021-2223948	boc761@boc.lk
17.	Vavuniya ▲	024-2222141	boc044@boc.lk

	Extension Office	Telephone
1.	Ananthakumarasamy W/C*	024-3248036
2.	Arunasalam W/C*	024-3248038
3.	Chankanai ▲	021-3214232
4.	Delft	021-3205614
5.	Jaffna Bus Stand	021-2221010
6.	Jaffna Kachcheri	021-2222234
7.	Jaffna Main Street	021-2224564
8.	Kaithady	021-3737100
9.	Kathirgamar W/C*	024-3248035
10.	Kodikamam	021-3737070
11.	Kokuvil	021-3737765
12.	Kopay ▲	021-2228484
13.	Mannar Kachcheri	023-2232234
14.	Murunkan ▲	023-2250935
15.	Nanatan	023-3233515
16.	Pesalei	023-3233511
17.	Poovarasakulam (Thalikkulam)	024-3248002
18.	Puthukulam	024-3248034
19.	Ramanathan W/C*	024-3248037
20.	Talaimannar Pier	023-2281085
21.	Valvettiturai	021-2264883
22.	Vavuniya Kachcheri	024-2222234
23.	Zone 4 W/C*	024-3248039

** W/C - Welfare Centre*

ATMs	No.
1. Ananthakumarasamy W/C*	1
2. Arunasalam W/C*	1
3. Atchchuveli	1
4. Chavakachcheri	1
5. Chunnakam	1
6. Jaffna	1
7. Jaffna Hospital	1
8. Jaffna Second City	1
9. Kathirgamar W/C*	1
10. Manipay	1
11. Mannar	1
12. Nelliady	1
13. Point Pedro	1
14. Ramanathan W/C*	1
15. St. Martin's Trade Centre	1
16. Thirunelvely	1
17. Vavuniya	1
18. Vavuniya Kachcheri Extension Office	1
19. Zone 4 W/C*	1

** W/C - Welfare Centre*

Holiday Banking Service	
Saturday	▲
Sunday	■
Saturday & Sunday	✶
Night Banking	●

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NORTH WESTERN PROVINCE

	Name of Branch	Telephone	E-Mail Address
1.	Alawwa	037-2278180	boc498@boc.lk
2.	Anamaduwa ■	032-2263280	boc248@boc.lk
3.	Bingiriya ■	032-2246107	boc554@boc.lk
4.	Chilaw ▲	032-2223401	boc020@boc.lk
5.	Dankotuwa	031-2258180	boc497@boc.lk
6.	Dummalsuriya	032-2240690	boc580@boc.lk
7.	Galgamuwa ■	037-2253080	boc549@boc.lk
8.	Giriulla ▲	037-2288080	boc553@boc.lk
9.	Hettipola ▲	037-2291080	boc570@boc.lk
10.	Hiripitiya ■	037-2264080	boc569@boc.lk
11.	Ibbagamuwa ▲	037-2259970	boc770@boc.lk
12.	Kalpitiya ■	032-2260702	boc589@boc.lk
13.	Kobeiganai	037-2293101	boc171@boc.lk
14.	Kuliyapitiya ▲	037-2281280	boc052@boc.lk
15.	Kurunegala ▲	037-2233880	boc009@boc.lk
16.	Kurunegala 2nd City ▲	037-2222115	boc513@boc.lk
17.	Madampe	032-2247680	boc054@boc.lk
18.	Madurankuliya ▲	032-2240020	boc565@boc.lk
19.	Maho ▲	037-2275280	boc564@boc.lk
20.	Mawathagama ■	037-2299259	boc257@boc.lk
21.	Melsiripura ■	037-2250165	boc555@boc.lk
22.	Narammala ■	037-2249280	boc534@boc.lk
23.	Nattandiya ■	032-2254280	boc050@boc.lk
24.	Nikaweratiya ▲	037-2260280	boc547@boc.lk
25.	Norochcholai ▲	032-2268555	boc779@boc.lk
26.	Pannala ▲	037-2246080	boc546@boc.lk
27.	Polgahawela	037-2243280	boc526@boc.lk
28.	Pothuhera ▲	037-2237619	boc664@boc.lk
29.	Puttalam ■	032-2265209	boc048@boc.lk
30.	Ridigama ▲	037-2252080	boc535@boc.lk
31.	Waikkal	031-2277280	boc558@boc.lk
32.	Wariyapola ■	037-2267348	boc379@boc.lk
33.	Welpalla	031-2299512	boc104@boc.lk
34.	Wennappuwa ▲	031-2255280	boc508@boc.lk

	Extension Office	Telephone
1.	Ambanpola ▲	037-2254099
2.	Dambadeniya ▲	037-2266144
3.	Katupotha	037-2247471
4.	Kirimetiyana	031-2249960
5.	Kochchikade ▲	031-2277353
6.	Kurunegala Kachcheri	037-2229726
7.	Marawila	032-2252675
8.	Palaviya	032-2269210
9.	Paragahadeniya	037-2296085
10.	Polpitigama	037-2273103
11.	Puttalam Kachcheri	032-2265351
12.	Toduwawa ▲	032-2256330
13.	Udappuwa	032-2258675
14.	Wayamba University of Sri Lanka	037-2284480

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SABARAGAMUWA PROVINCE

	ATMs	No.
1.	Alawwa	1
2.	Anamaduwa	1
3.	Bingiriya	1
4.	Chilaw	1
5.	Dankotuwa	1
6.	Dummalasooriya	1
7.	Galgamuwa	1
8.	Giriulla	1
9.	Hiripitiya	1
10.	Kalpitiya	1
11.	Kuliyapitiya	2
12.	Kurunegala	1
13.	Kurunegala Bazaar	2
14.	Kurunegala Provincial Council	1
15.	Madampe	1
16.	Madurankuliya	1
17.	Mawathagama	1
18.	Melsiripura	1
19.	Narammala	1
20.	Nattandiya	1
21.	Nikaweratiya	1
22.	Norochcholai	1
23.	Pannala	1
24.	Polgahawela	1
25.	Puttalam	1
26.	Wariyapola	1
27.	Wayamba University of Sri Lanka	1
28.	Wennappuwa	1

	Name of Branch	Telephone	E-Mail Address
1.	Aranayake	035-2258016	boc566@boc.lk
2.	Avissawella ▲	036-2222099	boc530@boc.lk
3.	Ayagama	045-2250080	boc401@boc.lk
4.	Balangoda ■	045-2288390	boc688@boc.lk
5.	Dehiowita ▲	036-2222580	boc634@boc.lk
6.	Deraniyagala	036-2249280	boc642@boc.lk
7.	Eheliyagoda ■	036-2259571	boc057@boc.lk
8.	Embilipitiya	047-2230980	boc535@boc.lk
9.	Hemmathagama	035-2257280	boc772@boc.lk
10.	Kahawatta	045-2270180	boc507@boc.lk
11.	Kalawana	045-2255280	boc645@boc.lk
12.	Kegalle	035-2230600	boc027@boc.lk
13.	Kegalle Bazaar	035-2222550	boc536@boc.lk
14.	Kuruwita ▲	045-2262581	boc325@boc.lk
15.	Mawanella	035-2247915	boc559@boc.lk
16.	Nivitigala ■	045-2279280	boc597@boc.lk
17.	Pelmadulla	045-2274380	boc683@boc.lk
18.	Rakwana ▲	045-2246280	boc594@boc.lk
19.	Rambukkana	035-2265280	boc582@boc.lk
20.	Ratnapura ■	045-2222100	boc031@boc.lk
21.	Ratnapura Bazaar	045-2222710	boc684@boc.lk
22.	Ruwanwella ■	036-2266280	boc585@boc.lk
23.	Warakapola	035-2267258	boc562@boc.lk
24.	Yatiyantota	036-2266281	boc477@boc.lk

	Extension Office	Telephone
1.	Bulathkohupitiya	036-2247356
2.	Embilipitiya	047-2261981
3.	Endana	045-3450661
4.	Galigamuwa	035-2282050
5.	General Hospital - Ratnapura	045-2223561
6.	Godakawela ■	045-2240080
7.	Gonagaldeniya	036-5677923
8.	Idangoda	045-2265080
9.	Karawanella	036-2268280
10.	Kegalle Hospital	035-2222765
11.	Kegalle Kachcheri	035-2231574
12.	Kitulgala ■	036-2287747
13.	Kolonna	045-2260280
14.	Kotiyakumbura	035-2289240
15.	University of Sabaragamuwa	045-2280093
16.	Pinnawala Elephant Orphange	035-2264094
17.	Provincial Council - Ratnapura	045-2226116
18.	Ratnapura Kachcheri	045-2222454
19.	Seethawakapura BOI Complex	036-2232656
20.	Udawalawa	047-2232180
21.	Weli-Oya ▲	045-3603304

	ATMs	No.
1.	Avissawella	2
2.	Balangoda	1
3.	Eheliyagoda	1
4.	Embilipitiya	1
5.	Kahawatte	1
6.	Kalawana	1
7.	Kegalle	1
8.	Kegalle Hospital Extension Office	1
9.	Kuruwita	1
10.	Mawanella	1
11.	Nivithigala	1
12.	Pelmadulla	1
13.	Rakwana	1
14.	Rambukkana	1
15.	Ratnapura	1
16.	Ratnapura Hospital	1
17.	Ruwanwella	1
18.	Sabaragamuwa Provincial Council	1
19.	University of Sabaragamuwa	1
20.	Seethawakapura Extension Office	1
21.	Warakapola	1
22.	Yatiyantota	1

Holiday Banking Service

Saturday	▲
Sunday	■
Saturday & Sunday	✶
Night Banking	●

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SOUTHERN PROVINCE

	Name of Branch	Telephone	E-Mail Address
1.	Ahungalla	091-2264107	boc754@boc.lk
2.	Akuressa	041-2283280	boc613@boc.lk
3.	Ambalangoda	091-2256307	boc047@boc.lk
4.	Ambalantota	047-2223280	boc537@boc.lk
5.	Angunakolapelassa	047-2229120	boc774@boc.lk
6.	Baddegama ■	091-2292280	boc525@boc.lk
7.	Batapola ▲	091-2260405	boc522@boc.lk
8.	Beliatta	047-2243274	boc539@boc.lk
9.	Bentota	034-2275283	boc102@boc.lk
10.	Deniyaya	041-2273870	boc528@boc.lk
11.	Devinuwara	041-2222247	boc504@boc.lk
12.	Dickwella	041-2255280	boc592@boc.lk
13.	Elpitiya ▲	091-2291280	boc619@boc.lk
14.	Galle	091-2232269	boc003@boc.lk
15.	Galle Bazaar ▲	091-2234478	boc089@boc.lk
16.	Hakmana ▲	041-2286280	boc691@boc.lk
17.	Hambantota	047-2220180	boc085@boc.lk
18.	Hikkaduwa	091-2277813	boc609@boc.lk
19.	Imaduwa	091-2286030	boc135@boc.lk
20.	Kamburupitiya ■	041-2292213	boc529@boc.lk
21.	Kataragama	047-2235280	boc616@boc.lk
22.	Koggala	091-2283380	boc750@boc.lk
23.	Matara	041-2229280	boc024@boc.lk
24.	Matara Bazaar	041-2223920	boc614@boc.lk
25.	Middeniya	047-2247280	boc518@boc.lk
26.	Neluwa	091-2237530	boc667@boc.lk
27.	Pitigala ■	091-2291205	boc610@boc.lk
28.	Ruhunu Campus	041-2222681	boc693@boc.lk
29.	Talgaswela	091-2296480	boc596@boc.lk
30.	Tangalle	047-2240280	boc056@boc.lk
31.	Tawalama	091-2224459	boc250@boc.lk
32.	Tissamaharama	047-2237280	boc538@boc.lk
33.	Urubokka ■	041-2272280	boc298@boc.lk
34.	Walasmulla ▲	047-2245280	boc517@boc.lk
35.	Weeraketiya	047-2246280	boc139@boc.lk
36.	Weligama ▲	041-2250280	boc520@boc.lk
37.	Yakkalamulla ■	091-2286080	boc578@boc.lk

	Extension Office	Telephone
1.	Ahangama	041-2283977
2.	Barawakumbuka ■	047-3621008
3.	Deiyandara	041-2268598
4.	Galle Kachcheri	091-2234514
5.	Karapitiya	091-2227090
6.	Katuwana ▲	047-3621005
7.	Kekanadura	041-2265061
8.	Kudawella	041-2257514
9.	Lunugamvehera	047-3621007
10.	Maha-Edanda	091-3932627
11.	Makandura ■	041-2268785
12.	Matara Kachcheri	041-2222673
13.	Morawaka	041-2282700
14.	Pitabeddara ■	041-2281081
15.	Ranna	047-2227280
16.	Suriyawewa ▲	047-2288280
17.	Udugama	091-2285015
18.	Uragasmanhandiya ▲	091-2264865
19.	Warapitiya	047-3623303

	ATMs	No.
1.	Akuressa	1
2.	Ambalangoda	1
3.	Ambalantota	1
4.	Beliatta	1
5.	Bentota	1
6.	Deniyaya	1
7.	Devinuwara	1
8.	Dikwella	1
9.	Elpitiya	1
10.	Galle	1
11.	Galle Bazaar	2
12.	Hakmana	1
13.	Hambantota	1
14.	Hikkaduwa	1
15.	Imaduwa	1
16.	Kamburupitiya	1
17.	Karapitiya	1
18.	Kataragama	1
19.	Koggala	1
20.	Kudawella Extension Office	1
21.	Maha Edanda Extension Office	1
22.	Matara	1
23.	Matara Bazaar	1
24.	Matara Hospital	1
25.	Neluwa	1
26.	Pitigala	1
27.	Ranna Extension Office	1
28.	Tangalle	1
29.	Thalgaswala	1
30.	Tissamaharama	1
31.	Urubokka	1
32.	Walasmulla	1
33.	Weeraketiya	1
34.	Weligama	1
35.	Yakkalamulla	1

Holiday Banking Service	
Saturday	▲
Sunday	■
Saturday & Sunday	✶
Night Banking	●

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UVA PROVINCE

	Name of Branch	Telephone	E-Mail Address
1.	Badalkumubura ▲	055-2250279	boc540@boc.lk
2.	Badulla ■	055-2222980	boc011@boc.lk
3.	Balleketuwa ■	055-2285160	boc320@boc.lk
4.	Bandarawela ■	057-2230014	boc515@boc.lk
5.	Bibile ▲	055-2265480	boc579@boc.lk
6.	Buttala	055-2273980	boc560@boc.lk
7.	Diyatalawa ■	057-2229092	boc260@boc.lk
8.	Ettampitiya	055-2294080	boc476@boc.lk
9.	Girandurukotte	027-2254380	boc669@boc.lk
10.	Haldummulla	057-2268271	boc463@boc.lk
11.	Haputale ■	057-2268080	boc035@boc.lk
12.	Koslanda	057-2257780	boc629@boc.lk
13.	Lunugala	055-2263980	boc577@boc.lk
14.	Lunuwatta	057-2232742	boc647@boc.lk
15.	Mahiyangana ▲	055-2258195	boc542@boc.lk
16.	Medagama	055-2265580	boc238@boc.lk
17.	Meegahakiwula	055-2245707	boc384@boc.lk
18.	Moneragala	055-2276180	boc082@boc.lk
19.	Padiyatalawa	063-2246003	boc348@boc.lk
20.	Passara ■	055-2288280	boc503@boc.lk
21.	Siyambalanduwa	072-2243900	boc416@boc.lk
22.	Thanamalwila	047-2234080	boc322@boc.lk
23.	Uva-Paranagama	057-2246010	boc343@boc.lk
24.	Welimada ■	057-2245984	boc730@boc.lk
25.	Wellawaya	055-2274880	boc434@boc.lk

	Extension Office	Telephone
1.	Badulla Kachcheri	055-2225475
2.	Bogahakumbura ■	057-2280088
3.	Dambagalla ▲	055-2276079
4.	Ella	057-2228899
5.	Ethiliwewa	055-3594115
6.	Hali-Ela ■	055-2295080
7.	Hasalaka	055-2257180
8.	Keppetipola	057-2280043
9.	Moneragala Kachcheri	055-2276080
10.	Moneragala Town ✶	055-2277270
11.	Okkampitiya	055-2273395
12.	Pelwatta Sugar Industries Complex ▲	055-3559825

	ATMs	No.
1.	Air Force - Diyatalawa	1
2.	Badulla	1
3.	Badulla Hospital	1
4.	Bandarawela	1
5.	Bibile	1
6.	Buttala	1
7.	Diyatalawa	1
8.	Haputale	1
9.	Mahiyangana	1
10.	Monaragala	1
11.	Padiyatalawa	1
12.	Passara	1
13.	Pelwatta	1
14.	Welimada	1
15.	Wellawaya	1

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WESTERN PROVINCE - NORTH

	Name of Branch	Telephone	E-Mail Address
1.	Andiambalama	011-2258184	boc494@boc.lk
2.	Biyagama	011-5558970	boc732@boc.lk
3.	Borella ▲	011-4612617	boc038@boc.lk
4.	Borella 2nd	011-2685140	boc668@boc.lk
5.	Central Bus Stand ▲	011-5365118	boc573@boc.lk
6.	Central Super Market ▲	011-2446475	boc672@boc.lk
7.	City Office	011-2329413	boc001@boc.lk
8.	Dematagoda	011-5335594	boc561@boc.lk
9.	Divulapitiya	031-2246280	boc433@boc.lk
10.	Fifth City	011-2449646	boc060@boc.lk
11.	Gampaha ▲	033-2226051	boc045@boc.lk
12.	Grandpass ▲	011-2448202	boc628@boc.lk
13.	Hulftsdorp	011-2424843	boc032@boc.lk
14.	Ja-Ela ▲	011-5342311	boc039@boc.lk
15.	Kadawatha ▲	011-2920687	boc059@boc.lk
16.	Kandana	011-2232398	boc771@boc.lk
17.	Katunayake IPZ	011-2259583	boc658@boc.lk
18.	Kiribathgoda ▲	011-2906149	boc543@boc.lk
19.	Kirindiwela	033-2267280	boc571@boc.lk
20.	Kolonnawa	011-5557286	boc595@boc.lk
21.	Kotahena	011-2448632	boc663@boc.lk
22.	Lake House	011-5363723	boc636@boc.lk
23.	Lake View	011-5359693	boc612@boc.lk
24.	Main Street	011-2447198	boc026@boc.lk
25.	Maradana	011-2689403	boc041@boc.lk
26.	Minuwangoda	011-2295214	boc545@boc.lk
27.	Mirigama ▲	033-2275975	boc088@boc.lk
28.	Narahenpita	011-2368514	boc762@boc.lk
29.	Negombo ▲	031-2224711	boc018@boc.lk
30.	Negombo Bazaar	031-2231297	boc572@boc.lk
31.	Nittambuwa	033-2287280	boc675@boc.lk
32.	Peliyagoda	011-2945078	boc042@boc.lk
33.	Personal	011-2446821	boc681@boc.lk
34.	Pugoda	011-2404821	boc765@boc.lk
35.	Ragama	011-2960291	boc764@boc.lk
36.	Regent Street ▲	011-2697035	boc627@boc.lk
37.	Seeduwa	011-2259590	boc421@boc.lk
38.	Veyangoda	033-2287279	boc682@boc.lk
39.	Wattala ▲	011-5368394	boc505@boc.lk
40.	Welisara ▲	011-2958485	boc537@boc.lk
41.	Yakkala ■	033-2233591	boc769@boc.lk

Holiday Banking Service	
Saturday	▲
Sunday	■
Saturday & Sunday	✶
Night Banking	●

	Extension Office	Telephone
1.	BOI Cash Collection Centre - Fort	011-2448875
2.	BOI Katunayake - Cash Collection Centre	011-2252523
3.	Bopitiya	011-2243172
4.	Cargo Office - Katunayake IPZ	011-2251943
5.	Courtaulds Clothing Lanka (Private) Limited - Minuwangoda	011-2299055
6.	Demanhandiya	031-2228730
7.	Gampaha Kachcheri	033-3337570
8.	Ganemulla	033-2264888
9.	Gothatuwa New Town	011-5344593
10.	Katana	031-2228353
11.	Makola	011-2964401
12.	Naiwala	033-2297720
13.	Economic Centre - Narahenpita ●	011-2369622

	ATMs	No.
1.	Agio Tobacco Company - Biyagama	1
2.	Air Force Camp - Ekala	1
3.	Air Force - Katunayake	1
4.	Andiambalama	1
5.	Biyagama 1	1
6.	Kolonnawa - Petrolium Corporation	1
7.	Borella	2
8.	Borella - Castle Hospital	1
9.	Cautaulds Garments - Minuwangoda	1
10.	City Office	2
11.	Divulapitiya	1
12.	Gampaha	2
13.	Ganemulla	1
14.	Gothatuwa Extension Office	1
15.	Grandpass	1
16.	Hulftsdorp	1
17.	IPZ Katunayake	1
18.	Ja-Ela	1
19.	Kadawatha	2
20.	Kandana	1
21.	Katunayake Air Port	1
22.	Kiribathgoda	2
23.	Kirindiwela	1
24.	Kolonnawa	1
25.	Kotahena	1
26.	Lady Ridgeway Hospital - Borella	1
27.	Lake House	1
28.	Linea Aqua Garments - Kapugoda	2
29.	Main Street	1
30.	Maradana	1
31.	Minuwangoda	1
32.	Mirigama	1
33.	Navy - Welisara	1
34.	Negombo	2
35.	Negombo Bazzar	1
36.	New Nuge Road - Peliyagoda	1
37.	Nittambuwa	2
38.	Peliyagoda	1
39.	Personal Branch	3
40.	Personal Branch - Presidential Secretariat	1
41.	Pugoda	1
42.	Regent Street	1
43.	Regent Street Doctors' Quarters	1
44.	Seeduwa	1
45.	Trelleborg Garments - Biyagama	1
46.	Veyangoda	1
47.	Wattala	1
48.	Welisara	1
49.	Yakkala	1

Holiday Banking Service

Saturday	▲
Sunday	■
Saturday & Sunday	✶
Night Banking	●

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WESTERN PROVINCE - SOUTH

	Name of Branch	Telephone	E-Mail Address
1.	Agalawatta ▲	034-2247480	boc657@boc.lk
2.	Aluthgama ▲	034-2271413	boc680@boc.lk
3.	Athurugiriya ▲	011-2561378	boc757@boc.lk
4.	Bambalapitiya ▲	011-5368439	boc037@boc.lk
5.	Bandaragama ■	038-2290280	boc665@boc.lk
6.	Battaramulla	011-2862575	boc679@boc.lk
7.	Beruwala ▲	034-2279899	boc058@boc.lk
8.	Bulathsinhala ■	034-2283116	boc673@boc.lk
9.	Dehiwala	011-2738335	boc051@boc.lk
10.	Dharga Town ▲	034-2275411	boc563@boc.lk
11.	Dodangoda ▲	034-2281628	boc293@boc.lk
12.	Hanwella	036-2253520	boc741@boc.lk
13.	Homagama	011-2855059	boc568@boc.lk
14.	Horana ■	034-2260152	boc054@boc.lk
15.	Hyde Park	011-2687483	boc521@boc.lk
16.	Independent Square	011-2678073	boc453@boc.lk
17.	Ingiriya ■	034-2269280	boc604@boc.lk
18.	Kaduwela ▲	011-2537999	boc608@boc.lk
19.	Kalutara ▲	034-2229804	boc016@boc.lk
20.	Katubedda ▲	011-2625438	boc030@boc.lk
21.	Kollupitiya	011-4795036	boc034@boc.lk
22.	Kollupitiya 2nd	011-2574581	boc670@boc.lk
23.	Kottawa	011-2783313	boc773@boc.lk
24.	Maharagama ▲	011-2746146	boc055@boc.lk
25.	Malabe ■	011-2760753	boc763@boc.lk
26.	Matugama ✶	034-2243590	boc556@boc.lk
27.	Milagiriya	011-2504627	boc593@boc.lk
28.	Moratuwa ▲	011-2646165	boc061@boc.lk
29.	Mount Lavinia	011-2721060	boc766@boc.lk
30.	Nugegoda ▲	011-2821287	boc049@boc.lk
31.	Padukka ▲	011-2859112	boc678@boc.lk
32.	Panadura ▲	038-2243323	boc007@boc.lk
33.	Panadura Bazaar ■	038-2243324	boc607@boc.lk
34.	Parliament	011-2777309	boc644@boc.lk
35.	Pelawatta	011-2785550	boc690@boc.lk
36.	Piliyandala	011-2614165	boc736@boc.lk
37.	Rajagiriya	011-5368641	boc746@boc.lk
38.	Ratmalana ▲	011-2719735	boc689@boc.lk
39.	Thimbirigasyaya	011-2594538	boc512@boc.lk
40.	Union Place	011-2314757	boc043@boc.lk
41.	Visakha Vidyalaya	011-2556226	boc775@boc.lk
42.	Wadduwa ▲	038-2232538	boc584@boc.lk
43.	Wellawatta ▲	011-2588941	boc023@boc.lk

	Extension Office	Telephone
1.	Administrative Complex - Isurupaya	011-2785875
2.	B M I C H Premises	011-2669136
3	Bodyline (Private) Limited - Horana	011-2485500
4.	Boralesgamuwa	011-2518478
5.	Immigration & Emigration Office	011-5329307
6.	Jawatta Inland Revenue	011-5657162
7.	Kalutara Kachcheri	034-2222286
8.	University of Moratuwa	011-2650301
9.	Kesbewa	011-2602517
10.	Kirulapone	011-2513874
11.	Lotteries Board - Kollupitiya	011-2333546
12.	Economic Centre - Meegoda ●	011-2831589
13.	Moratumulla	011-2652178
14.	National Institute of Education-Maharagama	011-2851301
15.	Sethsiripaya	011-2863637
16.	Srawasthi Mandiraya - Cinnamon Garden	011-2681366
17.	Sri Jayawardenapura Hospital	011-2779136
18.	Thalawathugoda	011-2775027

BOC SERVICE POINTS AS AT 31 DECEMBER 2009

ATMs	No.
1. Agalawatta	1
2. Aluthgama	1
3. Athurugiriya	1
4. Bambalapitiya	2
5. Bandaragama	1
6. Battaramulla	1
7. Beruwala	1
8. BMICH	1
9. Body Line Garments - Horana	1
10. Boralesgamuwa Extension Office	1
11. Central Engineering Consultancy Bureau - Bambalapitiya	1
12. Colombo Municipal Council	1
13. Dehiwala	1
14. Dodangoda	1
15. German Technical Training Institute - Katubedda	1
16. Hanwella	1
17. Hill Garments - Kahathuduwa	1
18. Homagama	2
19. Horana	2
20. Ingiriya	1
21. Isurupaya	1
22. Sri Jayawardenapura Hospital	1
23. Kaduwela	1
24. Kalubowila Hospital	1
25. Kalutara	1
26. Kalutara Kachcheri	1
27. Katubedde	1
28. University of Moratuwa	1
29. Kesbewa Extension Office	1
30. Kirulapone Extension Office	1
31. Kollupitiya	1
32. Kotalawela Defence Academy	1
33. Kottawa	1
34. Maharagama	2
35. Maharagama Cancer Hospital	1
36. Malambe	1
37. Matugama	1
38. Milagiriya	1
39. Moratumulla Extension Office	1
40. Moratuwa	1
41. Mount Lavinia	1
42. Nugegoda	3
43. Padukka	1
44. Panadura	1

ATMs	No.
45. Panadura Bazaar	1
46. Parliament	1
47. Piliyandala	1
48. Rajagiriya	1
49. Ratmalana	1
50. Sintesi Garments - Athurugiriya	1
51. Srawasthi Mandiraya Extension Office	1
52. Talawathugoda Extension Office	1
53. Thimbirigasyaya	1
54. Torrington Square	1
55. Union Place	1
56. Visakha Vidyalaya - Colombo 04	1
57. Wadduwa	1
58. Water Board - Ratmalana	1
59. Wellawatte	2

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CORPORATE BRANCHES

	Name of Branch	Telephone	E-Mail Address
1.	Corporate	011-2345428	agmcr@boc.lk
2.	Corporate 2nd	011-2394584	agmrecco@boc.lk
3.	Metropolitan	011-2329419	bocmb@boc.lk
4.	Pettah	011-2393544	bocpb@boc.lk
5.	Taprobane	011-2422267	boc747@boc.lk
6.	Off-Shore Banking Unit	011-2338765	agmoffsho@boc.lk

	Extension Office	Telephone
1.	Board of Investment - S L P A	011-2448875
2.	Canal Yard - S L P A	011-2483526
3.	Ceylon Shipping Lines Limited - Maradana	011-2445268
4.	Customs Imports Unit	011-2436663
5.	Department of Inland Revenue	011-2337367
6.	Health Ministry Suvasiripaya	011-2681361
7.	Laksiriseva (Private) Limited - Peliyagoda	011-2917729
8.	Permit Office - S L P A Hunters	
9.	Pettah Kachcheri	011-2434478
10.	Sri Lanka Bureau of Foreign Employment - Narahenpita ✶	011-2864147
11.	Trico Maritime (Private) Limited - Kotahena	011-4610977
12.	Ware house - Sri Lanka Ports Authority	011-2942620

ATMs	No.
1. Air Force Head Quarters	1
2. Bally's Club - Kollupitiya	1
3. Bellagio Club - Kollupitiya	1
4. Foreign Employment Bureau - Narahenpita	1
5. Metropolitan - York Street	1
6. MGM Club - Bambalapitiya	1
7. Pettah	2
8. Ports Authority	1
9. Suvasiripaya Extension Office	1

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OVERSEAS BRANCHES

	Name of Branch	Telephone	E-Mail Address
1.	Chennai	009144-26423501, 009144-26420972	ceybank@vsnl.com
2.	London	0044207-8800121, 0044207-3771888	bankofceylon.uk@btclick.com
3.	Malé	00960-3323045, 00960-3323046	bcmale@dhivehinet.net.mv

ATMs	No.
1. Malé	2

Holiday Banking Service	
Saturday	■
Sunday	▲
Saturday & Sunday	✶
Night Banking	●

AFGHANISTAN
1. Afghanistan Bank DA

ALGERIA
2. Banque Exterieure D'Algerie

ARGENTINA
3. Banco Macri Bansud SA
4. Banco Finansur SA

ARMENIA
5. Ardshininvestment Bank

AUSTRALIA
6. Australia & New Zealand Banking Group Limited
7. Commonwealth Bank of Australia
8. National Australia Bank Limited
9. Westpec Banking Corporation

AUSTRIA
10. Allgemeine Sparkasse Oberosterreich
11. Bank Austria Creditanstalt AG
12. Erste Bank Der Oesterreichischen Sparkassen AG
13 Erste Group Bank AG
14. Oberbank AG
15. Osterreichische Volksbanken AG
16. Raiffeisen Zentrale Bank Osterreich AG

BAHRAIN
17. Arab Banking Corporation
18. BBK (Formerly Bank of Bahrain & Kuwait BSc)
19. Habib Bank Limited
20. HSBC Bank Middle East
21. National Bank Of Bahrain
22. The Arab International Company

BANGLADESH
23. Agrani Bank
24. Bangladesh Krishi Bank
25. Basic Bank Limited (Bangladesh Small Industries & Commerce Bank Limited)
26. Janata Bank
27. Pubali Bank Limited
28. Sonali Bank
29. The Premier Bank Limited
30. Uttara Bank

BELARUS
31. Belarus Bank (Formerly Minskcomplex Bank)
32. Belvnesheconombank

BELGIUM
33. Antwerpse Diamant Bank NV
34. Banca Monte Paschi, Belgio
35. Byblos Bank Europe SA
36. Deutsche Bank SA/NV
37. Fortis Bank NV/SA
38. Ing Belgium SA/NV (Formerly Bank Brussels Lambert)
39. Kbc Bank NV

BERMUDA
40. Bank of Bermuda Limited

BOTSWANA
41. Barclays Bank of Botswana Limited

BRAZIL
42. Banco Industriel E Commercial SA (Bicbanco)
43. Banco Indusval SA
44. Banco Fibra SA

BULGARIA
45. Central Cooperative Bank
46. Investbank PLC
Municipal Bank PLC
Unicredit Bulbank AD (Formerly Bulbank AD)

CAMBODIA
47. Acleda Bank PLC

CANADA
48. Bank of Montreal
49. Bank of Nova Scotia
50. Canadian Imperial Bank of Commerce
51. HSBC Bank Canada (Formerly Credit Lyonnais Canada)
52. Royal Bank of Canada
53. Toronto Dominion Bank

CHILE
54. Corpbanca

CHINA
55. Bank of China
56. Bank of Communications
57. Bank of Nanjing
58. Changshu Rural Commercial Bank
59. China Construction Bank
60. China Everbright Bank
61. Export Import Bank of China

COLUMBIA
62. Banco Popular

COOK ISLANDS
63. WSBC Bank (Wall Street Banking Corporation Limited)

CUBA
64. Banco National De Cuba (Vol. 6)

CYPRUS
65. Alpha Bank Cyprus Limited
66. Bank of Cyprus Public Company Limited
Hellenic Bank Public Company Limited
67. Marfin Popular Bank Public Co. Limited (Formerly Cyprus Popular Bank Public Company Limited (Laiki Bank)
68. National Bank of Greece (Cyprus) Limited

CZECH REPUBLIC
69. Ceska Sporitelna AS
70. Ceskoslovenska Obchodni Banka AS
71. Komercni Banka AS

DENMARK
72. Als Skiern Bank
73. Danmarks National Bank
74. Danske Bank AS
75. Jyske Bank AS
76. Nordea Bank Denmark AS
77. Nordjyske Bank AS
78. Spare Nord Bank
79. Sparebank Vest
80. Sydbank AS
81. Vestjysk Bank

Dusseldorf GERMANY
82. Commerzbank AG

ECUADOR
83. Banca International Produbanco

EGYPT
84. ABC Egypt (Arab Banking Corporation)
85. Arab International Bank
86. Bank of Alexandria
87. Banque Du Carie SAE
88. Banque Misr SAE
89. Central Bank of Egypt
90. Commercial International Bank (Egypt) SAE
91. Egyptian Saudi Finance Bank
92. Faisal Islamic Bank of Egypt SAE
93. Mohandes Bank
94. National Bank of Egypt
95. Suez Canal Bank SAE

ETHIOPIA
96. Commercial Bank of Ethiopia

FIJI
97. National Bank of Fiji Limited (Colonial National Bank)

FINLAND
98. Nordea Bank Finland PLC
99. Oko Osuuspankkien Keskuspankki Oyj
Pohjola Bank PLC
100. Sampo Bank PLC

FRANCE
101. Bank of India (Paris Branch)
102. Banque De Neuflize, Schlumberger, Mallet, Demachy
103. Banque D'escompte
104. Banque Palatine
105. Bnp Paribas
106. Calyon
107. Credit Agricole
108. Credit Agricole Indosuez (Egypt) SAE (Now Calyon Bank Egypt) SAE
109. Credit Du Nord
110. Credit Industrial Del' Quest
111. Credit Industrial ET Commercial (CIC)
112. Credit Lyonnais
113. HSBC Private Bank France SA
114. Natixis (Formerly Natexis Banque Populaires)
115. Societe Generale
116. Union De Banques A Paris
117. VTB Bank (France) SA (Formerly Banque Commerciale Pour L'Europe Du Nordeurobank)

Frankfurt GERMANY
118. Commerzbank AG
119. Standard Chartered Bank

GERMANY
120. Baden Wuttenbergische Bank AG
121. Bankhaus Carlf Plump & Co.
122. Bankhaus Neelmeyer AG
123. Bayerische Hypo-Und Vereinsbank AG
124. Bayerische Landesbank
125. Berliner Volksbank EG
126. BHF Bank Aktiengeselschaft
127. Bremer Landesbank
128. Deutsche Bank AG
129. Deutsche Bundesbank
130. Deutsche Postbank AG
131. DVB Bank AG

132. DZ Bank AG
133. Frankfurter Volksbank
134. Frankfurter Volksbank EG
135. HSBC Trinkaus & Burkhardt KGA
136. Ing Bhf - Bank AG
137. Kreissparkasse Goppingen
138. Landesbank Baden-Wurttemberg
139. Landesbank Berlin AG (Merger of Bankgesel-Ischaft Berlin AG & Landesbank Berlin AG)
140. Landesbank Hessen Thuringen Girozentrale
141. LRP Landesbank Rheinland Pfalz
142. Nassauische Sparkasse
143. Nordeutsche Landesbank Girozentrale
144. NRW Bank
145. Oldenburgische Landesbank AG
146. Sparkasse Duren
147. Sparkasse Herford
148. Sparkasse Pforzheim CALW
149. Stadtsparkasse Monchengladbach
150. Stadtsparkasse Wuppertal
151. Westlb AG

GHANA

152. Ghana Commercial Bank Limited

GREECE

153. Alpha Bank
154. Aspis Bank
155. Marfin Egnatia Bank SA (Formerly Egnatia Bank SA)
156. National Bank of Greece
157. Piraeus Bank

HONG KONG

158. Bank of East Asia Limited
159. Chiyu Banking Corporation Limited
160. Chong Hing Bank
161. Chong Hing Bank Limited (Formerly Liu Chong Hing Bank Limited)
162. DAH Sing Bank Limited
163. DBS Bank (Hong Kong) Limited
164. Hang Seng Bank Limited
165. Hongkong & Shanghai Banking Corporation
166. Nan Yang Commercial Bank Limited
167. Oversea - Chinese Banking Corporation
168. Wing Hang Bank Limited

HUNGARY

169. Budapest Credit Development Bank RT
170. Central-European Int'l Bank Limited (CIC Bank)
171. Kereskedelmi Es Hitelbank (K and H Bank NYRT)
172. Magyar Nemzeti Bank

ICELAND

173. Glitnir Banki HF (Formerly Islandsbanki - FBA Limited)

INDIA

174. Al Ahabad Bank
175. Andhra Bank
176. Axis Bank
177. Bank of Baroda
178. Bank of India (Mumbai)
179. Bank of Maharashitra
180. Canara Bank
181. Central Bank of India
182. Development Credit Bank Limited
183. HDFC Bank
184. ICICI Bank Limited
185. Indian Bank
186. Indian Overseas Bank
187. Indusind Bank Limited
188. Jammu & Kashmir Bank Limited
189. Karur Vysya Bank
190. Punjab & Sind Bank Limited
191. Punjab National Bank
192. Saraswat - Cooperative Bank Limited
193. State Bank of India
194. State Bank of Hyderabad
195. State Bank of Travancore
196. Syndicate Bank
197. Tamilnad Mercantile Bank Limited
198. The Bank of Rajastan Limited
199. UCO Bank
200. Union Bank of India
201. United Bank of India

INDONESIA

202. Bank Mega
203. PT Bank Bukopin
204. PT Bank Ekspor Indonesia
205. PT Bank Mandiri (Persero)
206. PT Bank Negara Indonesia Tbk
207. PT Bank Rabobank International
208. PT Bank Rakyat Indonesia
209. PT Bank Rakyat Indonesia (Persero) Tbk

IRAN

210. Bank Markazi Jomhouri Islami
211. Bank Mellat
212. Bank Melli Iran
213. Bank Pasargad
214. Bank Sederat Iran
215. Bank Sepah
216. Bank Tejarat
217. Export Development Bank of Iran
218. Parsian Bank
219. Post Bank of Iran
220. Saman Bank

IRAQ

221. Central Bank of Iraq
222. Rafidan Bank
223. Rasheed Bank

IRELAND

224. Allied Irish Bank PLC

ISRAEL

225. Bank Hapoalim BM
226. Bank Leumi Le Israel BM
227. Bank of Palestine
228. First International Bank of Israel Limited
229. Israel Discount Bank
230. Mercantile Discount Bank Limited
231. Mizrahi Tefahot Bank Limited
232. Union Bank of Israel Limited

ITALY

233. Banca Agricola Mantovana SPA
234. Banca Antonveneta SPA
235. Banca Carige SPA
236. Banca Di Credito Cooperativo Di Alba
237. Banca Di Imola SPA
238. Banca Di Roma
239. Banca Etruria Soc Coop
240. Banca Monte Dei Paschi Di Siena
241. Banca Nazional Del Lavoro SPA (Merged Into BNP Paribas)
242. Banca Popolare - Volksbank (Banca Popolare Dell Alto Adige)
243. Banca Popolare Dell Emilia Romagna
244. Banca Popolare Di Milano
245. Banca Popolare Di Ravenna SPA
246. Banca Popolare Di Sondrio
247. Banco Popolare Di Verona E Novara Scrl (Including Credito Bergamasco SPA, Banca Popolare Di Novara SPA) Verona
248. Banca Popolare Di Vicenza Scparl
249. Banca Regionale Europea SPA
250. Banca Toscana SPA
251. Banca Ubae SPA
252. Banca Valsabbina SCPA
253. Banco Carim - Cassa Di Risparmio Di Rimini SPA
254. Banco Di Desio E Della Brianza SPA
255. Banco Di Sardegna SPA
256. Banco Di Sicilia
257. Bipop-Carires
258. Cariparma SPA
259. Cassa Di Risparmio Di Carrara SPA
260. Cassa Di Risparmio Di Prato SPA (Cariprato)
261. Deutsche Bank SPA
262. Intesa Sanpaolo SPA (Formerly Banca Intesa SPA)
263. Sanpaolo Imi SPA (Merged Into Banca Intesa SPA Now Intesa Sanpaolo SPA)
264. Unicredito Italiano SPA
265. Unipol Banca SPA

JAMAICA

266. National Commercial Bank of Jamaica Limited

JAPAN

267. 77 Bank Limited
268. Aozora Bank Limited
Australia and New Zealand Banking Group Limited
269. Awa Bank Limited
270. Bank of Kochi Limited
271. Bank of Kyoto
272. Bank of Tokyo-Mitsubishi Ufj Limited
273. Bank of Yokohama Limited
274. Chiba Kogyo Bank Limited
275. Chukyo Bank Limited
276. Chuo Mitsui Trust and Banking Company Limited
277. Gunma Bank Limited
278. Higashi-Nippon Bank
279. Horuriku Bank Limited
280. Kinki Osaka Bank Limited
281. Kiyo Bank Limited
282. Kyoto Shinkin Bank
283. Minato Bank Limited (Formerly Midori Bank Limited)
284. Mitsubishi Trust & Banking Company
285. Mizuho Corporate Bank Limited
286. Nishi Nippon City Bank Limited
287. Okazaki Shinkim Bank
288. Resona Bank Limited
289. Saitama Resona Bank Limited
290. Seto Shinkin Bank
291. Shiga Bank Limited
292. Shinkin Central Banko
293. Shinsei Bank Limited (Formerly Long-Term Credit Bank of Japan)
294. Standard Chartered Bank
295. Sugamo Shinkin Bank
296. Sumitomo Mitsui Banking Corporation
297. The Asahi Shinkin Bank
298. The Ashikaga Bank Limited

299. The Shikoku Bank Limited
300. The Yohohama Shinkin Bank
301. Tokushima Bank Limited
302. Tokyo Tomin Bank Limited
303. Tomato Bank Limited
304. Towa Bank Limited
305. Yamagata Bank Limited
306. Yamaguchi Bank Limited
307. Yamanashi Chuo Bank Limited

JOHANNESBURG
308. The Standard Chartered Bank of South Africa

JORDAN
309. Arab Bank PLC
310. Arab Jordan Investment Bank
311. Bank of Jordan PLC
312. Cairo Amman Bank
313. Housing Bank for Trade & Finance
314. Islamic International Bank Limited
315. Jordan Ahli Bank PLC w.e.f. 12.11.2006 (Formerly Jordan National Bank)
316. Jordan Commercial Bank (Formerly Jordan Gulf Bank)
317. Jordan Investment & Finance Bank (JIF Bank)
318. Jordan Kuwait Bank
319. Union Bank for Savings & Investment

KENYA
320. Barclays Bank of Kenya Limited
321. Kenya Commercial Bank Limited

KOREA
322. Citibank Korea Inc. (Formerly Koram Bank)
323. Foreign Trade Bank of The Democratic People's Bank of Korea
324. Hana Bank (Merger of Hana Bank & Seoul Bank)
325. Kookmin Bank
326. Korea Development Bank
327. Korea Exchange Bank
328. Kyongnam Bank
329. Pusan Bank
330. The Kwagiu Bank Limited
331. Woori Bank

KUWAIT
332. Bank of Kuwait & The Middle East
333. Burgan Bank SAK
334. Commercial Bank of Kuwait SAK
335. Gulf Bank
336. National Bank of Kuwait SAK

KYRGYZSTAN
337. Asia Universal Bank

LATVIA
338. Parex Bank

LEBANON
339. Al Ahli International Bank SAL
340. Arab African International Bank
341. Arab Bank PLC (Lebanon Branches Centre) Beirut
342. Audi Saradar Private Bank SAL
343. BLC Bank SAL
344. Bank Audi SAL - Audi Saradar Group
345. Bank of Beirut SAL
346. Bbac SAL (Formerly Bank of Beirut & The Arab Countries SAL)
347. BLC Bank SAL (Formerly Banque Libanaise Pour Le Commerce SAL)
348. BLOM Bank SAL
349. Byblos Bank SAL
350. Credit Libanais SAL
351. Fransabank SAL
352. Jamal Trust Bank SAL
353. Lebanese Canadian Bank SAL
354. Meab Bank
355. Near East Commercial Bank SAL
356. Societe Nouvelle De La Banque De Syrie Et Du Liban SAL

LIBYA
357. Gumhoria Bank
358. National Commercial Bank SAL
359. Umma Bank SAL
360. Wahda Bank

LITHUANIA
361. AB Bankas Hansa Bankas
362. Ukio Bank AS

LONDON
363. Habib Bank AG Zurich

MADAGASCAR
364. Bank of Africa - Madagascar
365. Banque Centrale De Madagascar

MALAWI
366. National Bank of Malawi

MALAYSIA
367. Alliance Bank Malaysia, Berhad
368. Ambank Berhad (Formerly Arab-Malaysian Bank - Berhad)
369. Bank Islam Malaysia Berhad
370. CIMB Bank Berhad (Formerly Bumiputra-Commerce Bank Berhad)
371. Eon Bank Berhad
372. Malayan Banking Berhad (May Bank)
373. OCBC (Malaysia) Berhad
374. Overseas - Chinese Banking Corporation Limited (Kuala Lumpur)
375. Public Bank Berhad
376. Royal Bank of Scotland
377. United Overseas Bank (Malaysia) Berhad

MALDIVES
378. Bank of Maldives PLC

MALE
379. Habib Bank Limited

MALTA
380. Bank of Valleta
381. FIM Bank PLC
382. FIM Bank PLC Limited
383. HSBC Bank Malta PLC

MAURITIUS
384. State Bank of Mauritius Limited
385. The Mauritius Commercial Bank Limited

MEXICO
386. Banco Nacional De Mexico SA
387. Banco Santander Mexicano SPA
388. BBVA Bancomer SA
389. HSBC Mexico SA

MOCAMBIQUE
390. Banco International De Mocambique SARL

MONGOLIA
391. Trade & Development Bank of Mongolia

MOROCCO
392. Credit Bank Du Maroc SA

MOSCOW
393. Bank of Moscow

MYANMAR
394. Myanmar Foreign Trade Bank
395. Myawaddy Bank Limited

NAMIBIA
396. Bank Windhoek Limited

NEPAL
397. Himalayan Bank Limited
398. Nepal Bank Limited
399. Standard Chartered Bank Nepal Limited

NERTHLANDS
400. F Van Lanschot Bankiers NV
401. Hollandsche Bank - Unie NV
402. ING Bank NV
403. Lan Schot Bankers NV F Van

NETHERLANDS
404. SNS Bank NV
405. ABN Amro Bank
406. Rabobank Nederland

NEW ZEALAND
407. ANZ Bank National Bank Limited
408. ASB International Bank
409. Bank of New Zealand
410. Westpec Banking Corporation

NIGERIA
411. First Bank of Nigeria PLC
412. Union Bank of Nigeria PLC

NORWAY
413. DNB Nor Bank ASA (Formerly Den Norske Bank NA)
414. Nordea Bank Norge AS
415. Sparebanken Hedmark
416. Sparebanken More
417. Sparebanken Nord Norge

OMAN
418. Bank Dhofar SAOG
419. Bank Muscat SAOG
420. National Bank of Oman SAOG
421. Oman Arab Bank SAOC
422. Oman International Bank

PAKISTAN
423. Allied Bank of Pakistan
424. AskariBank Limited (Formerly Askari Commercial Bank Limited)
425. Atlas Bank
426. Bank Al Habib Limited
427. Bank of Khyber
428. Bank of Punjab
429. Dawood Islamic Bank Limited
430. Faysal Bank Limited

431. Habib Bank Limited
432. Habib Metropolitian Bank Limited
433. KASB Bank
434. MCB Bank Limited (Formerly Muslim Commercial Bank)
435. Meezan Bank Limited
436. My Bank Limited
437. National Bank of Pakistan
438. Soneri Bank Limited
439. Standard Chartered Bank (Pakistan) Limited
440. United Bank Limited

PALESTINIAN AUTONOMOUS AREAS
441. Arab Islamic Bank

PAPUA NEW GUINEA
442. Westpac Bank Png Limited

PARAGUA
443. Banco Amambay SA

PERU
444. Banco De Credito Del Peru

PHILIPPINES
445. Metropolitan Bank & Trust Company
446. Philippine National Bank

POLAND
447. Bank BGZ
448. Bank Gospodarstwa Krajowego
449. Bank Handlowy Warszawa SA
450. Kredyt Bank SA
451. Raiffeisen Bank Polska SA

PORTUGAL
452. Banco BPI SA
453. Banco Espirito Santo SA
454. BNP - Banco Portugues De Negocios SA
455. Finibanco SA
456. Millennium BCP (Formerly Banco Commercial Portugues SA)

QATAR
457. Barwa Bank
458. Doha Bank
459. Qatar International Islamic Bank
460. Qatar Islamic Bank SAQ

ROMANIA
461. Banca Commerciala Carpatica
462. Banca Comerciala Romana SA
463. Banca Transilvania

RUSSIA
464. Bank for Development & Foreign Economic Affairs (Formerly Bank for Foreign Economic Affairs of the USSR)
465. Bank Jugra
466. Bin Bank
467. International Moscow Bank
468. JSC VTB Bank [Formerly Bank for Foreign Trade (Vneshtorgbank)]
469. MDM Bank
470. Nomos-Bank (Novaya Moskva)
471. ROS Bank
472. Sberbank
473. Vneshtconombank
474. Vneshtorgbank (Bank for Foreign Trade)

SAUDI ARABIA
475. Al Rajhi Bank (Formerly Al Rajhi Banking & Investment Corporation)
476. Bank Al Bilad
477. Bank Al Jazira
478. National Commercial Bank Limited
479. Riyad Bank
480. Samba Financial Group
481. Saudi British Bank
482. Saudi Hollandi Bank
483. Arab National Bank

SCOTLAND
484. Royal Bank of Scotland

SERBIA
485. Banca Intesa AD Beograd

SERBIA & MONTENEGRO
486. National Bank of Serbia

SEYCHELLES
487. Seychelles International Mercantile Banking (NOUVOBNQ)

SINGAPORE
488. Bank of India (Singapore)
489. DBS Bank Limited
490. Dexia Banque Internationale A Luxembourg
491. Far Eastern Bank Limited
492. Indian Bank
493. Oversea-Chinese Banking Corporation Limited
494. Skandinaviska Enskilda Banken AB
495. Standard Chartered Bank
496. The Bank of East Asia Limited
497. UCO Bank
498. Union De Banques Arabes ET Francaises (UBAF)
499. United Overseas Bank Limited
500. VTB Bank Europe PLC (Formerly Moscow Narodny Bank Limited)

SINGAPORE/MALAYSIA
501. ABN Amro

SLOVAKIA
502. Postova Bank AS
503. Slovenska Sporitelna AS
504. Tarta Bank
505. Vseobecna Uverova Bank AS

SLOVENIA
506. Abanka Vipa DD
507. Nova Kreditna Banka Maribor DD
508. Nova Ljubljanska Banka DD Ljubljana

SOLOMON ISLANDS
509. National Bank of Solomon Islands

SOMALIA
510. Commercial & Savings Bank of Somalia

SOUTH AFRICA
511. Standard Bank of South Africa Limited
512. ABSA Bank Limited
513. Firstrand Bank Limited
514. Nedcor Bank Limited (NED BANK)

SPAIN
515. Banco Bilbao Vizcaya Argentaria
516. Banco De Europa SA
517. Banco De Sabadell
518. Banco De Valencia
519. Banco Guipuzcoano SA
520. Banco Intercontinental Espanol (Bankinter)
521. Banco Pastor SA
522. Banco Santander Central Hispano
523. Caixa'd Estalvis De Catalunya
524. Caja De Ahorrosy Pensiones De Barcelona La Caixa
525. Caja Madrid

SUDAN
526. Bank of Khartoum
527. National Bank of Sudan

SWEDEN
528. Nordbanken AB (Publ)
529. Skandinaviska Enskilda Banken AB (Publ)
530. Svenska Handelsbanken AB (Publ)
531. Swed Bank

SWITZERLAND
532. Banque Cantaonale De Geneve
533. Banque Cantonale Vandoise
534. Banque De Commerce Et De Placements
535. Banque De Commerce Et De Placements SA
536. BNP Paribas (Sussie) SA
537. BSI SA
538. Credit Agricole (Sussie) SA
539. Credit Sussie
540. Habib Bank AG Zurich
541. Luzerner Kantonal Bank
542. UBS AG (Union Bank of Switzerland)
543. Zurcher Kantonalbank

SYRIA
544. Bank Audi Syria
545. Commercial Bank of Syria

TAIWAN
546. Bank of Taiwan
547. China Trust Commercial Bank
548. Chinfon Commercial Bank
549. E-sun Commercial Bank Limited
550. First Commercial Bank
551. Hua Nan Commercial Bank
552. Mega International Commercial Bank
553. Shanghai Commercial Savings Bank Limited
554. Taipei Fubon Commercial Bank
555. Taiwan Cooperative Bank

TANZANIA
556. NCB Limited (National Bank of Commerce)

THAILAND
557. Bangkok Bank Public Company Limited
558. Bank of Ayudhya Public Company Limited
559. Export Import Bank of Thailand
560. Kasikornabank Public Company Limited (Formerly Thai Farmers Bank)
561. Krung Thai Bank Public Company Limited
562. Siam City Bank Public Company Limited
563. Siam Commercial Bank PCL
564. Standard Chartered Bank (Thai) Public Company Limited
565. United Overseas Bank (Thai) Public Company Limited

TUNIS
566. Banque Nationale Agricole

TUNISIA
567. Attijari Bank
568. Societe Tunisienne De Banque

TURKEY
569. AK Bank TAS
570. Anadolu Bank
571. Arab Turkish Bank
572. Asya Katilim Bankasi AS (Formerly Asya Finans Kurumu AS)
573. Euro Tekfen AS
574. Kocbank AS (Merged Into Yapi Ve Kredi Bankasi)
575. Kuvoyt Turk Katilim Bankasi AS
576. Oyak Bank AS (ING Bank AS) Name changed on 07.07.2007
577. Tekstil Bankasi AS
578. Turkiye Finance Katilinu Bankasi AS
579. Turkiye Garanti Bankasi AS
580. Turkiye Is Bankasi AS
581. Turkiye Vakiflar Bankasi TAO
582. Turkland Bank - T Bank
583. Yapi Ve Kredi Bankasi AS

UNITED ARAB EMIRATES
584. Abu Dhabi Commercial Bank
585. Abu Dhabi Islamic Bank
586. Arab Bank For Investment & Foreign Trade
587. Commercial Bank International PLC
588. Commercial Bank of Dubai PSC
589. Dubai Islamic Bank PLC
590. Emirates Bank International PJSC
591. First Gulf Bank
592. Mashreqbank PSC
593. Middle East Bank PJSC
594. National Bank of Abu Dhabi
595. National Bank of Fujirah
596. Union National Bank
597. United Arab Bank

UGANDA
598. Barclays Bank of Uganda Limited

UNITED KINGDOM
599. AIB Group (Formerly Allied Irish Bank)
600. Barclays Bank PLC
601. Clydesdale Bank PLC
602. Gulf International Bank (UK) Limited
603. Habibsons Bank Limited
604. HSBC Bank PLC
605. Investec Bank (UK) Limited
606. Lloyd's TSB Bank PLC
607. National Westminster Bank PLC
608. Royal Bank of Scotland PLC
609. Standard Chartered Bank

UKRAIN
610. Ukreximbank (State Export-Import Bank of Ukrain)

UKRAINE
611. Calyon Bank

URUGUAY
612. The Banco De La Republic Oriental Del Uruguay

UNITED STATES OF AMERICA
613. American Express Bank Limited
614. Banco Del Pichincha CA
615. Bank of America NA
616. Bank of New York (The Bank of NewYork Mellon) (Merged with Mellon Bank 21.07.2008)
617. Bank of Tampa
618. Branch Banking & Trust Company
619. Brown Brothers Harriman & Company
620. Citibank NA
621. Cobank ACB
622. Commerce Bank NA
623. Deutsche Bank Trust Company Americas
624. First Hawaiian Bank
625. French American Banking Corporation
626. Habib American Bank
627. HSBC Bank USA
628. Hibernia National Bank
629. Huntington National Bank
630. Israel Discount Bank of New York
631. JP Morgan Chase Bank
632. La Salle Bank Midwest
633. M & T Bank (Formerly Allfirst Bank)
634. Mellon Bank NA (Merged with Bank of New York)
635. National City Bank of Indiana
636. Northern Trust Company
637. PNC Bank NA
638. San Diego National Bank
639. Silicon Valley Bank
640. Sovereign Bank
641. Standard Chartered Bank
642. State Street Bank & Trust Company
643. Sun Trust Bank Limited
644. UMB Bank NA
645. Union Bank of California NA
646. US Bank NA
647. Wachovia Bank NA
648. Wells Fargo Bank NA

VIETNAM
649. Bank for Foreign Trade of Vietnam
650. Bank for Investment & Development of Vietnam

YEMEN
651. National Bank of Yemen
652. Yemen Bank for Reconstruction and Development
653. Yemen Commercial Bank
654. Yemen Kuwait Bank

YEMEN ARAB REPUBLIC
655. International Bank of Yemen YSC

YUGOSLAVIA
656. Zagrebacka Banka DD

ZAMBIA
657. Barclays Bank of Zambia Limited

ZIMBABWE
658. Barclays Bank of Zimbabwe Limited

EXCHANGE COMPANIES BY COUNTRY

AUSTRALIA
1. Kapruka (Pty) Limited (Metro)
2. Serendib Financial Services
3. Serendib (Pty) Limited Rs. A/C NZ

BAHRAIN
4. Bahrain Financing Company
5. Bex Money - Bahrain Express Exchange (Formerly Bahrain Express Exchange)
6. Dalil Exchange
7. Ezremit Limited
8. National Finance & Exchange Company WLL
9. Zenj Exchange
10. Zenj Exchange Company WLL (Turbo Cash)

CANADA
11. Delma Exchange Canada (Metro)

GREECE
12. International National Express Remittance International Money Transfer Mediation Company

HONG KONG
13. Lotus Forex Limited (Metro)

INDIA
14. Moneygram (Metro)

ISRAEL
15. Tifco Logistics & Trade Limited

ITALY
16. Valutrans SPA (Metro)

JORDAN
17. Al Samhouri Exchange Company
18. Alawaneh Exchange Company

KUWAIT
19. Al Mulla International Exchange Company WLL
20. Al Muzaini Exchange Company KSC (Closed)
21. Bahrain Exchange Company WLL
22. City International Exchange Company WLL
23. Dollarco Exchange Company Limited
24. Etemadco Exchange Company WLL
25. International Financial Line Company
26. Kuwait Asian International Exchange Company WLL
27. Kuwait Bahrain International Exchange
28. Kuwait India International Exchange Company
29. National Exchange Company WLL
30. National Money Exchange Company WLL
31. Oman Exchange Company Limited
32. Security Exchange Company WLL
33. UAE Exchange Centre WLL

LEBANON
34. Services Exchange Company (Imad Al Hariri Trading Co & Partners - SECO)

MALAYSIA
35. Merchantrade Asia SDN BHD (Metro)

OMAN
36. Asia Express Exchange
37. Gulf Overseas Exchange Company LLC
38. Hamdan Exchange
39. Majan Exchange LLC
40. Modern Exchange Company LLC
41. Musandam Exchange
42. Mustafa Sultan Exchange Company LLC
43. Oman & UAE Exchange Centre Company LLC
44. Oman International Exchange LLC
45. Oman United Exchange Company LLC
46. Purshottam Kanji Exchange Company LLC

QATAR
47. Al Dar For Exchange Works
48. Al Fardan Exchange Company WLL
49. Al Sadd Exchange
50. Arabian Exchange Company WLL
51. Eastern Exchange EST
52. Gulf Exchange Company
53. Habib Qatar International Exchange Limited
54. Islamic Exchange
55. National Exchange Company WLL (Formerly Al Shaibei Exchange Company)
56. Trust Exchange Company Limited
57. Union Exchange

SINGAPORE
58. HBZ International Exchange Company (Singapore) Pvt Limited
59. Mustafa Foreign Exchange (Metro)

SWITZERLAND
60. Motherhouse GMBH (Metro)

UNITED ARAB EMIRATES
61. Al Ahalia Money Exchange Bureau
62. Al Ansari Exchange EST
63. Al Fardan Exchange
64. Al Mona Exchange Company LLC
65. Al Razouki International Exchange Company LLC
66. Al Rostamani International Exchange (Formerly Thomas Cook Al Rostamani Exchange Company)
67. Alukkas Exchange
68. Asia Exchange Centre
69. Delma Exchange
70. Dubai Exchange Centre LLC
71. Emirates India International Exchange Company
72. Habib Exchange Company LLC
73. Hadi Express Exchange
74. Lari Exchange Establishment
75. Lulu International Exchange LLC
76. National Exchange Company
77. Orient Exchange Company LLC
78. Redha Al-Ansari Exchange EST
79. UAE Exchange Centre
80. Wall Street Exchange Centre
81. Xpress Money Services Limited

UNITED KINGDOM
82. Global Exchange Limited (Metro)
83. Coinstar (Metro)
84. Currency Exchange Corporation (Fast Cash) (Metro)
85. International Global Currencies Limited (Metro)

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 as 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.

ASSOCIATE COMPANY
A company other than a subsidiary in which a holding company has a participating interest and exercise a significant influence over its operating and financial policies.

ATTRITION RATE
A measure of how many employees leave over a certain period of time.

BORROWING COSTS
Interest and other costs incurred by an entity in connection with the borrowing of funds.

BUSINESS SEGMENT
A distinguishable component of an entity that is engaged in providing an individual product or service or a group of related products or services and that is subject to risks and returns that are different from those of other business segments.

CAPITALISATION
Recognising a cost as part of the cost of an asset.

CAPITAL ADEQUACY RATIO (CAR)
The percentage of the risk-adjusted assets supported by capital, 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 the Central Bank of Sri Lanka.

CAPITAL RESERVE
Capital reserve consists of revaluation reserves arising from revaluation of properties owned by the Bank and Reserve Fund set aside for specific purposes defined under the Banking Act No. 30 of 1988 and shall not be reduced or impaired without the approval of the Monetary Board.

CASH EQUIVALENTS
Investments/assets that are readily convertible to cash, subject only to an insignificant risk of change in their value.

COMMITMENT TO EXTEND CREDIT
Refer to contractual arrangements between a bank and a customer to extend credit in the future. The agreement will stipulate conditions that must be satisfied by the customer for the facility to be utilised.

COMPOUND ANNUAL GROWTH RATE (CAGR)
The year-over-year growth rate over a specified period of time.

CONSOLIDATED FINANCIAL STATEMENTS
The Financial Statements of a group presented as those of a single entity.

CONTINGENT LIABILITIES
Liabilities that at Balance Sheet date can either not be measured or can only be anticipated to arise if a particular event occurs.

CORPORATE GOVERNANCE
The way in which corporate entities are managed and organised, ensuring in particular that the interests of stakeholders are given sufficient weight.

COSO FRAMEWORK
Internal control framework developed by the Committee of Sponsoring Organisations of the US-based Trade Way Commission and now accepted globally as the standard.

COST/INCOME RATIO
Operating expenses compared to net income.

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 counter party.

DEALING SECURITIES
Securities acquired and held with the intention of reselling them in the short-term.

DEFERRED INTEREST
Interest not due at a particular date, but which will be due late.

DEFERRED TAXATION
Sum set aside for tax in the Financial Statements that will become payable in a financial year other than the current financial year.

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' remuneration and/or years of service.

DEPRECIATION
The systematic allocation of the depreciable amount of an asset over its useful life.

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 (L/C'S)
Written undertakings by a bank on behalf of its customers (typically an importer), authorising a third party (e.g., 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.

EARNINGS PER SHARE (EPS)
Net profits earned during a period attributable to ordinary shareholders of a company divided by number of shares in issue during that period.

EFFECTIVENESS
Doing things that influences quality of output.

EFFECTIVE TAX RATE
Provision for taxation divided by the profit before taxation.

EFFICIENCY
Doing the things right. Refers to the ratio of output to input. Example: Cost to Income Ratio.

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 BALANCE SHEET DATE
Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the Balance Sheet date and the date when the Financial Statements are authorised for issue.

FAIR VALUE
The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

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.

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 Balance Sheet date at prevailing rates which differ from those rates in force at inception or on the previous Balance Sheet date.

Foreign exchange income also arises from trading in foreign currencies.

FORWARD EXCHANGE CONTRACT
Agreement between two parties to exchange one currency for another at a future date at a rate agreed upon today.

GENERAL PROVISIONS
Provision of 1% of total performing advances and special mention loans and advances.

GROSS DOMESTIC PRODUCT
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.

GROUP
A parent and all its subsidiaries.

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.

HISTORICAL COST CONVENTION
Recording transactions at the actual value received or paid.

IMPAIRMENT
When recoverable amount declines below carrying amount.

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 IN SUSPENSE
The interest due on non-performing assets held in suspense until all the arrears of principal and interest is settled, or a specific reverse entry is made when they are determined as bad. Interest falling due from the date of classification as a non-performing asset is credited to interest in suspense.

INTEREST MARGIN
Net interest income expressed as a percentage of average interest earning assets.

INTEREST SPREAD
Represents the difference between the average interest rate earned and the average interest rate paid on funds.

GLOSSARY OF FINANCIAL/BANKING TERMS

INVESTING ACTIVITIES
The acquisition and disposal of long-term assets and other investments not included in cash equivalents.

INVESTMENT FLUCTUATION RESERVE
Reserve created to meet fluctuation in investment.

INVESTMENT PROPERTIES
Land and buildings not occupied substantially for use by or in the operations of the Bank.

INVESTMENT SECURITIES
Securities acquired and held for yield or capital growth purposes and usually held to maturity.

KEY MANAGEMENT PERSONNEL
Those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any Director (whether Executive or otherwise) of that entity.

LEVERAGE
Total liabilities as number of times of Equity.

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.

MARKET CAPITALISATION
Number of ordinary shares issued multiplied by the market value of each share.

MARKET RISK
The risk that the value of an investment will change due to moves in market factors.

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.

NET INTEREST INCOME
The difference between what bank earns on assets such as loans and securities and what it pays 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.

NON-PERFORMING ADVANCES
A loan placed on cash basis (i.e., interest income is only recognised when cash is received) because, in the opinion of the management, there is reasonable doubt regarding the collectability of principal or interest. Loans are automatically placed on cash basis when a payment is 90 days past due. All loans are classified as non-performing when a payment is 90 days in arrears.

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.

OPERATIONAL RISK
The risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events.

PLAN ASSETS (OF AN EMPLOYEE BENEFIT PLAN)
Assets held by a long-term employee benefit fund.

PRICE EARNINGS RATIO (P/E RATIO)
The current market price of a share divided by its earnings per share (EPS).

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.

PRIMARY DEALER SPECIAL RISK RESERVE
Reserve maintained in order to strengthen capital base further with development of capital market.

PROPERTY, PLANT & EQUIPMENT
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.

PROVISION FOR LOAN LOSSES
A charge to income added to the allowance for loan losses. Specific provisions are established to reduce the book value of specific assets (primarily loans) to estimated realisable values.

PRUDENCE
Inclusion of a degree of caution in the exercise of judgement 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.

REDEMPTION
Repayments of principal monies.

REINSURANCE
Transfer of all or part of the risk assumed by a primary insurer under one or more insurance to another insurer, called the reinsurer.

RELATED PARTIES
Two parties where one controls the other or exercise significant influence in financial and operating decisions.

REPOs
Repurchase Agreements relating to securities sold to creditors (who lend money for funding purposes), with the intention of buying them back at a set price.

RETURN ON AVERAGE ASSETS (ROA)
Net income expressed as a percentage of average total assets. Used along with ROE, as a measure of profitability and as a basis of intra-industry performance comparison.

RETURN ON AVERAGE EQUITY (ROE)
Net income, less preferred share dividends if any, expressed as a percentage of average ordinary shareholders' equity.

REVENUE RESERVE
Reserves set aside for future distribution and investment.

REVERSE REPO
The purchase of Government securities under an agreement to resell at a given price on a specific future date.

RISK-ADJUSTED ASSETS
Used in the calculation of risk-based capital ratios. The face amount of lower risk assets is discounted using risk-weighting factors in order to reflect a comparable risk per Rupee among all types of assets. The risk inherent in Off-Balance Sheet instruments is also recognised, first by adjusting notional values to Balance Sheet (or credit) equivalents and then by applying appropriate risk weighting factors.

RISK-WEIGHTED ASSETS
On Balance Sheet assets and the credit equivalent of Off-Balance Sheet assets multiplied by the relevant risk- weighting factors.

SEGMENT REPORTING
Segment reporting indicates the contribution to the revenue derived from business segments such as banking operations, leasing operations, treasury and investments, property and insurance.

SHAREHOLDERS' FUNDS
Shareholders' funds consist 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 economic activity but is not control or joint control over those policies.

SOLVENCY
The availability of cash over the longer term to meet financial commitments as they fall due.

SUBORDINATE 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 right of the shareholders.

SUBSIDIARY COMPANY
A company is a subsidiary of another company if the Parent Company holds more than 50% of the nominal value of its equity capital or holds some shares in it and controls the composition of its Board of Directors.

SUBSTANCE OVER FORM
Refer to the consideration that the accounting treatment of transactions and the events should be governed by their financial reality and not by presentation form.

SURRENDER VALUE
The amount payable by an insurer to a policyholder on termination of an insurance policy before the expiry of its term (more common in Life Insurance).

SWAPS (CURRENCY)
The purchase of currency for spot settlement and its simultaneous sale for settlement at a future date. Alternatively the simultaneous spot sale and future purchase of a currency.

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 goodwill.

TIER II CAPITAL
Consists of the sum total of revaluation reserves, general provisions, hybrid capital instruments and approved subordinated debentures.

TOTAL CAPITAL
Is the sum of Tier I and Tier II capital.

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.

VALUE ADDED
Value added is the wealth created by providing banking services, less the cost of providing such services. The value added is allocated among the employees, the providers of capital, to Government by way of taxes and retained for expansion and growth.

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.

HEAD OFFICE
No. 4, Bank of Ceylon Mawatha
Colombo 1, Sri Lanka
Tel:+94 11 2446790-811 *(22 lines)*
+94 11 2338741-55 *(15 lines)*
Facsimile: +94 11 2449401
Telex: 21331 BOCST CE
SWIFT Code: BCEYLKLX
Website: www.boc.lk
E-Mail: boc@boc.lk

CALL CENTRE
Tel: +94 11 2205424-25
+94 11 2205337
+94 11 2204444
Facsimile: +94 11 2320864

TAX PAYER IDENTIFICATION NUMBER (TIN)
409000070

VAT REGISTRATION NUMBER
409000070 - 7000

STOCK EXCHANGE LISTING
Unsecured Subordinated Redeemable Debentures of Rs. 100/- each allotted on 24 November 2008 and due to mature on 23 November 2013 bearing fixed, floating and zero coupon interest rate are listed on the Colombo Stock Exchange with effect from 19 December 2008.

BOARD OF DIRECTORS
Dr. Gamini Wickramasinghe *(Chairman)*
Dr. R H S Samaratunga
Mr. G K A Chaminda K Kularatne
Mr. Gunaratna Gallage
Mr. Raju Sivaraman
Dr. Buddhadasa Kaluarachchi
Mr. V Kanagasabapathy *(Alternate Director to Dr. R H S Samaratunga)*

SECRETARY TO THE BOARD
Ms. Janaki Senanayake Siriwardane

AUDIT COMMITTEE
Dr. R H S Samaratunga *(Chairman)*
Mr. Raju Sivaraman
Mr. G K A Chaminda K Kularatne
Mr. Gunaratna Gallage
Dr. Buddhadasa Kaluarachchi
Mr. V Kanagasabapathy *(Alternate Director to Dr. R H S Samaratunga)*

HUMAN RESOURCES AND REMUNERATION COMMITTEE
Dr. Buddhadasa Kaluarachchi *(Chairman)*
Mr. G K A Chaminda K Kularatne
Mr. Raju Sivaraman
Mr. Gunaratna Gallage

NOMINATION AND CORPORATE GOVERNANCE COMMITTEE
Mr. Raju Sivaraman *(Chairman)*
Dr. R H S Samaratunga
Mr. G K A Chaminda K Kularatne
Mr. V Kanagasabapathy *(Alternate Director to Dr. R H S Samaratunga)*

INTEGRATED RISK MANAGEMENT COMMITTEE
Dr. R H S Samaratunga *(Chairman)*
Mr. G K A Chaminda K Kularatne
Mr. Raju Sivaraman
Mr. Gunaratna Gallage
Dr. Buddhadasa Kaluarachchi
Mr. V Kanagasabapathy *(Alternate Director to Dr. R H S Samaratunga)*

COMPLIANCE OFFICER
Mr. M L J Fernando *(Assistant General Manager - Risk Management & Compliance)*
Tel: + 94 11 2321169
Facsimile: + 94 11 2439546

AUDITOR
The Auditor General
The Auditor General's Department
Independence Square
Colombo 07, Sri Lanka
Tel: + 94 11 2691151
Facsimile: + 94 11 2697451
(Appointed in terms of the provisions of Article 154 of the Constitution of the Democratic Socialist Republic of Sri Lanka)

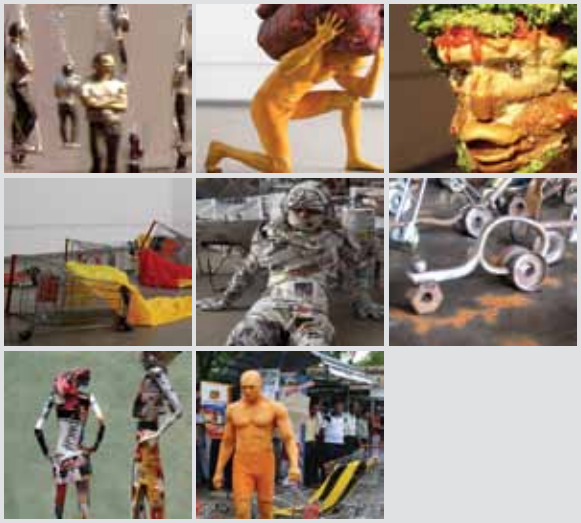
CREDIT RATINGS
'AA (lka)/Stable Outlook' by Fitch Ratings Lanka Limited
No. 15-04, East Tower
World Trade Centre
Colombo 01, Sri Lanka
Tel : +94 11 2541900

BEHIND THE SCENES - MAKING OF BANK OF CEYLON ANNUAL REPORT 2009

Bank of Ceylon (BOC) is the No. 1 bank in Sri Lanka. It is 100% owned by the Government and is popularly dubbed as the Bankers to the Nation.

The Bank's theme for it's 2009 annual report, 'what matters', takes the unusual route of self examination of its conscience. An examination undertaken with the acknowledgement that all may not be well. Moreover, that the Bank may not have answers to all questions. It is a theme that gets into the very psyche of BOC.

A synthesis of visual art techniques has been employed. These include sculpture (fibre glass, metal, and pulp), body painting, portrait painting, portrait drawing, contemporary drawing, performance art, land art and insolation art. Some of these techniques have enabled this annual report to transcend the medium as can be seen in the HTML version of this annual report at www.boc.lk.



Eight 'art projects' bring out the themes of consumerism, contemporary society, the challenges faced by youth, the aftermath of war, the power of love, and problems of city dwellers caught up in busy lifestyles.

These 'art projects' were a result of a large and well orchestrated team effort. Bank of Ceylon and Smart Media - The Annual Report Company acknowledge the contribution of the following external organisations: The University of Visual and Performing Arts of Sri Lanka, the National Art Gallery, the Department of Railways, Sri Lanka Police, Colombo Municipal Council, Joseph Fraser Memorial Hospital and Keells Super.

01

DR. GAMINI WICKRAMASINGHE

Chairman

Appointed to the Board of Bank of Ceylon as the Chairman in May 2007.

Dr. Wickramasinghe holds a Master's Degree in Systems Analysis from the University of Aston, Birmingham, UK and a Doctorate in Business Administration (DBA) from the Manchester Metropolitan University, UK. He is a Fellow of the Chartered Management Institute (FCMI), UK and a Fellow of the British Computer Society (FBCS).

Dr. Wickramasinghe is the Managing Director of the Informatics Group of Companies, one of the largest software development houses in the country. He also holds directorships in Property Development PLC, BOC Travels (Private) Limited, Ceybank Holiday Homes (Private) Limited and Mireka Capital Land (Private) Limited.

02

DR. R H S SAMARATUNGA

Ex officio Director

Appointed to the Board of Bank of Ceylon in October 2008.

Dr. R H S Samaratunga holds a Bachelor of Arts (Hons.) Degree in Economics from the University of Peradeniya, Sri Lanka, a Master of Science (M.Sc.) Degree in Agriculture Economics from the University of Wisconsin-Madison, USA, a Master of Business Administration (MBA) Degree from the University of Sri Jayewardenepura, Sri Lanka and also a Doctorate in Philosophy (Ph.D.) from La Trobe University, Australia.

He is a Deputy Secretary to the Treasury with over twenty-five years of experience in public service in several capacities. He has previously held senior positions in the Ministry of Finance and Planning. Among them were Director, Department of National Planning, Additional Director General, Department of Fiscal Policy and Economic Affairs and Director General, Department of Trade, Tariff and Investment Policy.

He is on the Boards of several Public Enterprises and Government-linked companies such as Ceylon Electricity Board, Mihin Lanka (Private) Limited, De La Rue Lanka Currency and Security Print (Private) Limited, Securities and Exchange Commission of Sri Lanka and the Postgraduate Institute of Management.

03

G K A CHAMINDA K KULARATNE

Director

First appointed to the Board of Bank of Ceylon in December 2005 and was reappointed in June 2007.

Mr. Kularatne holds a Bachelor of Laws Degree (LLB) and a Postgraduate Diploma in Business Administration from the University of Colombo.

He is an Attorney-at-Law.

Mr. Kularatne is an Assistant Secretary to the President and is the Co-ordinating Secretary to the Ministry of Finance and Planning. He is on the Boards of Hotels Colombo (1963) Limited (GOH) and MBSL Insurance Company Limited.

04

RAJU SIVARAMAN

Director

First appointed to the Board of Bank of Ceylon in January 2006 and was reappointed in June 2007.

Mr. Sivaraman is a Chartered Architect holding a Master's Degree in Architecture (M.Sc. Arch.) and is also a Fellow Member of the Sri Lanka Institute of Architects. His experience in the fields of Architecture and Management runs over twenty-five years.

He is the Associate Consultant of Plan 3 Architects in India, Managing Director of Arch - Triad Consultants (Private) Limited, an architectural consultancy firm since 1980, Director of Ram Developers (Private) Limited and Ceylease Financial Services Limited.

05

GUNARATNA GALLAGE

Director

First appointed to the Board of Bank of Ceylon in January 2006 and was reappointed in June 2007.

Mr. Gallage is an Attorney-at-Law by profession counting over twenty years practice in the Civil Courts and title work. He also holds a Bachelor's Degree in Arts from Vidyodaya - Sri Jayewardenepura University of Sri Lanka and a Postgraduate Diploma in Education. He has served as a member of the Compensation Tribunal at People's Bank and as a member of the Rent Board of Review for two consecutive terms.

He is a Director on the Board of The Unit Trust Management Company (Private) Limited.

06

DR. BUDDHADASA KALUARACHCHI

Director

First appointed to the Board of Bank of Ceylon in January 2006 and reappointed in June 2007.

Dr. Kaluarachchi holds a MBBS Degree from the University of Ceylon, Faculty of Medicine, Colombo. He has served as a Medical Officer in several Government Hospitals in Sri Lanka and has also been a Company Medical Officer for leading Hotels in Colombo, several International Airlines and a Consultant to several Multinational Companies. In addition, he had been involved in their administration and marketing services. He has also been a Medical Officer to several Embassies and High Commissions located in Sri Lanka. He was a Founder Director of Asiri Hospitals Limited.

Dr. Kaluarachchi has undergone Postgraduate Training and has worked in leading National Health Service Hospitals in the United Kingdom. He has also been a General Medical Practitioner (Principal) in the National Health Service in the United Kingdom and has also served as a Consultant to several Multinational Companies and as a Clinical Assistant at the regional local hospitals in the United Kingdom.

Presently, Dr. Kaluarachchi is the President of the Ceylon National Association for the Prevention of Tuberculosis (CNAPT), the President of the Ruhunu Cultural Institution and also a Member on the Board of Management of Colombo Young Men's Buddhist Association (YMBA). He is a Management Council Member of University of the Visual & Performing Arts. He is also the Chairman of Hotels Colombo (1963) Limited (GOH) and a Director of Lanka Hospitals Corporation PLC (Apollo Hospitals) and Merchant Credit of Sri Lanka Limited.

07

V KANAGASABAPATHY

Alternate Director

Appointed as Alternate Director to Dr. R H S Samaratunga from October 2008. He was also functioning as the Alternate Director to
Mr. S Abeysinghe (former Ex officio Director) from March 2006.

Mr. Kanagasabapathy is a Fellow Member
of the Institute of Chartered Accountants of
Sri Lanka and holds a Master's Degree in Public Administration from Harvard University, U.S.A.

He is presently the Financial Management Advisor of the Ministry of Finance and Planning with over thirty years of public service in several senior capacities.

Mr. Kanagasabapathy is on the Boards of several Public Enterprises and Government-linked companies such as Hotel Developers (Lanka) PLC, Lanka Industrial Estate Limited and De La Rue Lanka Currency and Security Print (Private) Limited. He is also a Board Member of Merchant Bank of Sri Lanka PLC and is the President of the Institute of Public Finance and Development Accountancy and a Member of the Governing Council of the Association of Accounting Technicians of Sri Lanka. He is also the Chairman of the Board of Directors of Distance Learning Centre, Sri Lanka.

08

MS. JANAKI SENANAYAKE SIRIWARDANE

Secretary, Bank of Ceylon/Secretary to the Board

Attorney-at-Law, LLB, MBA

BOARD OF DIRECTORS

CORPORATE MANAGEMENT TEAM

01

B A C FERNANDO

General Manager

BA, MBA, FIB

Mr. Fernando has been in Banking for 39 years. Before being appointed Chief Executive of the Bank he held the post of Deputy General Manager in charge of the Bank's vast branch network. His specialty is credit with extensive branch banking experience. He has consumer credit experience at branch, provincial and divisional levels. His corporate credit experience covers all levels including handling the large portfolio of the Bank's Corporate Branch. In branch banking his experience ranges from operations level activity to management at divisional level. Mr. Fernando has contributed to knowledge and skills development of the workforce through training and has provided leadership in restructuring initiatives. He has undergone extensive training in banking and management both locally and overseas. He serves on the boards of many of the Bank's subsidiaries as Director and is also a Director of the Institute of Bankers of Sri Lanka.

07

I D WEERASENA

Deputy General Manager - Branches Range II

BA (Econ.), B.Phil. (Econ.)

Mr. Weerasena possesses a service span of over 34 years across varied and different fields in Banking, with expertise in Branch Banking, Recovery and Remedial Management, Credit Cards and Development Credit. Following a 4½-year stint as Assistant General Manager (Western Province - South) and subsequently as Deputy General Manager (Recovery), he was appointed Deputy General Manager (Branches) with overall responsibility in Branch Network Operations and Credit Card Centre. Since mid 2009, his scope of responsibility was rearranged to cover the Branch Network except Western Province.

As Deputy General Manager (Branches - Range II), he played a pioneering role in setting-up banking outlets in Wanni IDP Camps overnight, effectively expanding outreach among the displaced civilians. In addition to the focused role in Deposit Mobilisation and Branch Modernisation, he is leading the banking development activities in the North and East.

Mr. Weerasena also serves as a Director of Transnational Lanka Record Solutions (Private) Limited.

09

MS. DEEPA WANNIARATCHI

Deputy General Manager - Finance and Planning

BCom., Postgraduate Diploma in Business and Financial Administration

Ms. Wanniaratchi counts over 34 years service in the Bank. In her career she has experience in many fields including managing large Technology Projects, Bank Restructuring under financial sector reforms in the country, Credit and Recovery Management and Corporate and Retail banking activities.

Prior to her present assignment she led the project to implement the core banking system covering all branches, which provided Bank of Ceylon with the largest online branch network in Sri Lanka. The world-renowned Fiserv & IBM selected this project as the fastest implemented core banking project in the Asia Pacific Region and presented two awards to the Bank of Ceylon in November 2006.

Ms. Wanniaratchi serves as a Director of BoC Travels (Private) Limited.

16

W A ASOKA RUPASINGHE

Chief Financial Officer

FCA (Sri Lanka), B.Sc. (Business) - University of SJP,
MBA in Finance - University of Southern Queensland, Australia

Over 23 years of experience in finance of which 13 years in the financial services industry. Prior to joining BoC, he worked as Head of Corporate Financial Affairs at Commercial Bank of Qatar in Qatar for 10 years. Before leaving for Qatar, he worked as Head of Finance and Administration at Securities and Exchange Commission of Sri Lanka. He completed his professional training at KPMG. He has special exposure in Mergers & Acquisitions, cross-border listing, cross-border fund-raising through EMTN programmes and GDRs and specialised in group performance management. During his previous employment, he was engaged in number of key acquisitions and divestments. He had been in lecture panels in several educational institutions including The Institute of Chartered Accountants of Sri Lanka, University of Sri Jayawardenapura teaching auditing, accounting and management accounting. Mr. Rupasinghe joined the Bank on 12 October 2009.

15

DR. LIONEL SIRIWARDENA

Head of Research and Development

(MA, Ph.D.)

Dr. Siriwardena counts 20 years experience in the banking sector macroeconomic research. Prior to his appointment as Head of Research and Development, he worked at the UNDP Regional Centre for Asia Pacific Region as a Senior Researcher and as Research Director at the People's Bank. He served many international agencies as Micro Finance Specialist and SME Banking Development Consultant for Asia Pacific countries. He has extensive research experience gained through working as a visiting research fellow for many foreign universities. His research contribution on post-conflict development and growth, financial diversification, investment banking and branchless banking technology application facilitate BoC's new era of banking services to the nation.

02

MS. W A NALANI

Senior Deputy General Manager - Corporate and Off-Shore Banking

AIB, FIB (Sri Lanka), BA (Econ.), B.Phil.

Counting over 34 years diversified banking experience, Ms. Nalani has been a Deputy General Manager for over 7 years and Senior Deputy General Manager since December 2008.

Presently, she manages the largest strategic business segment including Corporate and Off-Shore Banking Units and the Trade Finance Unit.

Previously, she headed the dedicated Recovery Unit for over 3 years and played a pivotal role in managing special projects.

She was actively involved in the implementation of IT solutions for trade finance activities in the Bank.

As an Assistant General Manager, she headed many large and important operating units including the Metropolitan Branch, the largest middle market business unit and Sabaragamuwa Province with a branch network covering important economic districts of Kegalle and Ratnapura.

She has specialised in credit and recovery management and contributed significantly for staff training in that area.

Presently, she is functioning as a Director on the Board of Merchant Bank of Sri Lanka and as Alternate Directors on the Boards of Credit Information Bureau, Institute of Bankers of Sri Lanka and BoC Travels (Private) Limited.

She was a co-winner of the 'Zonta Award for Excellence' in Banking Category for the year 2009.

She is a Vice-President of the Association of Professional Bankers of Sri Lanka and a Committee Member of the Alumni Organisation - University of Colombo.

She also serves as a Director on the Committee of Rotary Club of Colombo Central.

03

K DHARMASIRI

Deputy General Manager - Recovery

BCom. (1st Class Hons.), B.Phil. (Econ.), AIB (Sri Lanka)

Mr. Dharmasiri has been a Deputy General Manager for over 7 years. He has over 34 years of diversified banking experience, both within and outside Sri Lanka. Within Sri Lanka he was associated with the Corporate and Off-Shore Banking Division, Finance and Planning Division, Internal Audit Division and Bank's Restructuring Operations. In terms of overseas assignments he was the Country Manager of Bank of Ceylon branch in the Republic of Maldives for a term of 3 years and later assumed duties as the Managing Director of Nepal Bank of Ceylon Limited in Nepal.

Mr. Dharmasiri serves as a Director on the Board of Lanka Securities (Private) Limited.

06

H M A B WEERASEKARA

Deputy General Manager - International and Treasury

BA Econ. (Hons.), B.Phil. (Industrial Management)

Mr. Weerasekara counts over 34 years experience in his banking career at BoC. He possesses wide experience in all aspects of Corporate, Off-Shore Branch Banking, Trade Finance, International and Treasury Operations having headed key business units of the Bank including the Off-Shore Banking Division. He has been the Deputy General Manager in charge of International, Treasury, Investment and Overseas Branches for nearly 4 years.

He was engaged in several overseas assignments including UK where he served as Deputy Manager of the London Branch for a period of 3 years.

He was also successful in his endeavour to enhance inward remittances, by introducing various remittance schemes. His efforts also improved relationships with Correspondent Banks and Exchange Houses worldwide.

At present he serves on the Board as a Director of Merchant Credit of Sri Lanka Limited and chairs the Audit Committee of the Company.

08

W D F WIMALARATNE

Deputy General Manager - Human Resource

FIB, Diploma in Bank Management, Postgraduate Diploma in Business and Finance Administration

Mr. Wimalaratne has a carrier of 40 years with Bank of Ceylon. During his tenure he has specialised in Operational Banking, NPL Management, Product Development and Human Resource Management. He also had a stint as Deputy Country Manager at the Karachi Branch. Prior to being promoted to Deputy General Manager, he served as Assistant General Manager - North Western Province. During this period he served on the Boards of Wayamba Development Bank, Industrial Services Bureau and Wayamba Chamber of Commerce and Industry.

He serves as a Member of the Governing Board of the Institute of Bankers of Sri Lanka and as Chairman of its Audit Committee.

He is a Director of Ceybank Holiday Homes (Private) Limited and a Council Member of the Association of Professional Bankers.

10

M K NANDASIRI

Deputy General Manager - Support Services

BA (Hons.)(1st Class), (Econ.), B.Phil. (Econ.), AIB (Sri Lanka)

Mr. Nandasiri counts over 34 years of banking. During this period he has become a well-experienced banker having worked almost all the areas of the Bank. Started his carrier servicing poor from Agricultural Service Centre and gained experience in various positions in various business units including International Treasury and Corporate Banking.

He is a well-experienced Trade Finance Banker and contributed substantially to the field. He is a resource person of the Bank of Ceylon Training Department and the Senior Vice-President of the Trade Finance Association of Bankers of Sri Lanka.

Mr. Nandasiri has worked as the Country Manager of Bank of Ceylon - Chennai for 3 years. Prior to the elevation to the present grade, he worked as the Assistant General Manager - Pettah.

He serves as a Director of Hotel Colombo (1963) (Grand Oriental Hotel) of Sri Lanka.

14

TREVINE FERNANDOPULLE

Chief Risk Officer

B.Sc (Hons) (Imperial College, London)
M.Sc. (London School of Economics)
F.C.I.B. (London)
President Chartered Institute of Bankers - Sri Lanka

Joined Bank of Ceylon in May, 2009 and has been instrumental in formally establishing the Independent Integrated Risk Management Division.

He comes with 30 years Banking experience with HSBC Sri Lanka and retired as its Deputy Chief Executive Officer in December 2008. In 1996 he was attached to Saudi British Bank on a 3 year secondment from HSBC as Manager Corporate Banking, which also included the responsibility of re-structuring the Credit Control and Credit Administration Departments. He has wide experience covering all aspects of Commercial Banking including Corporate, Retail and International Trade at HSBC with over 10 years in Credit Risk Management and setting up the Department in HSBC Sri Lanka, whilst also being its first Head of Credit Risk. Was actively involved in the successful issue of the debut Sovereign Bond for USD 500 million for the Government of Sri Lanka. He has been extensively trained in Corporate Banking & Risk Management in Hong Kong, UK , India and the Middle East.

04

MS. KUMUDINIY KULATHUNGA

Deputy General Manager - Branches (Range I and Card Centre)

BA, B.Phil. (Hons.), AIB, FIB,
Diploma in Bank Management,
Diploma in Personnel Management

Ms. Kulatunga has over 34 years of wide experience in the Bank. She has acquired experience and exposure in many different areas of the Bank at Executive and Corporate Management levels. She has held leadership positions in Western Province, North Western Province and the Eastern Province. She was also the head of Human Resources and Training and has contributed substantially towards training and development of all bank employees and was instrumental in implementing the present Performance Appraisal system across the network effectively. She also has deep experience in Rural Banking and Reorganisation/Restructuring activities of the Bank. Whilst serving in Reorganisation Division, she was instrumental in implementing new and modified processors that generated significant cost reduction and improved productivity. She has also played a pivotal role in ensuring speedier and efficient processing of branch back office activities of over 300 branches and modernised its front offices whilst being in charge of Support Services Division.

Presently, she is in charge of the branch network in Western Province which serves a huge number of personal customers and middle market and retail customers engaged in diverse economic activities. At the same time she is in charge of the Bank's Card Centre including Credit Cards and Debit Cards.

She is a Member of the Governing Board of the Institute of Bankers of Sri Lanka and a Life Member of the Association of Professional Bankers of Sri Lanka and a Fellow of the Institute of Bankers Sri Lanka.

05

C SAMARASINGHE

Deputy General Manager - Product and Development Banking

BA (Hons.), B.Phil. (Econ.)

With a service spanning of 34 years, Mr. Samarasinghe has gained wide experience in all aspects of branch banking. He now leads the development banking efforts across Sri Lanka and guides Micro Finance, Development Credit, SME Lending, Product Development and Islamic Banking Units. He had been in forefront in North-East Development, leading expanding outreach, and grass root level social mobilisation among the community. He was also instrumental in establishing a large financial house based in the Middle East and played a key role in introducing organisational and structural changes in the face of changing business environment including the establishment of the Central Back Office.

Mr. Samarasinghe has served on the Board of Merchant Credit of Sri Lanka Limited and is the Director of Transnational Lanka Records Solutions (Private) Limited. He is the Vice-Patron of the Nationalised Services Cricket Association and the Nationalised Services Sports Federation.

11

M KIRITHARAN

Chief Legal Officer

Attorney-at-Law and Notary Public (SL),
Solicitor (UK), Executive Diploma
in Business Administration

Mr. Kiritharan counts more than 33 years of experience in the Legal Department. Trained in Sri Lanka and abroad, he is a Member of the Bar Council of Sri Lanka and a Member of the Registration of Title Act Committee of the Bar Association. He has served as Chief Examiner of the Institute of Bankers, Sri Lanka.

In addition to overseeing the Legal Affairs of the Bank, Mr. Kiritharan is a Director of BoC Property Development and Management (Private) Limited. He also served as a Director on the Board of Merchant Bank of Sri Lanka PLC and formally was an Alternate Director of Mireka Capital Land (Private) Limited. He was also a Past President and Secretary of the Association of Lawyers in Employment. He is the President of the BoC Hindu Association and BoC Sports Club.

12

ROHAN PEIRIS

Head of Information Technology

M.Sc.-IT (UK), CITP (UK), MBCS (UK),
MPMI (UK), MCS (SL)

Mr. Peiris counts for over 27 years of experience in the fields of Data Processing and Information and Communication Technology. He has been heading the IT divisions of leading commercial banks and also had served in very senior positions in very well-known financial institutions. He also has extensive exposure to Software Development, Project Management and has also led pioneering companies in the country on Facilities Management. He also has been in the fore front of managing state-of-the-art data centres with high availability redundant data and voice networks of leading financial institutions. He was also appointed as the National Consultant on IT projects funded by UNIDO. He has served in many committees of national interest and is also ITIL certified.

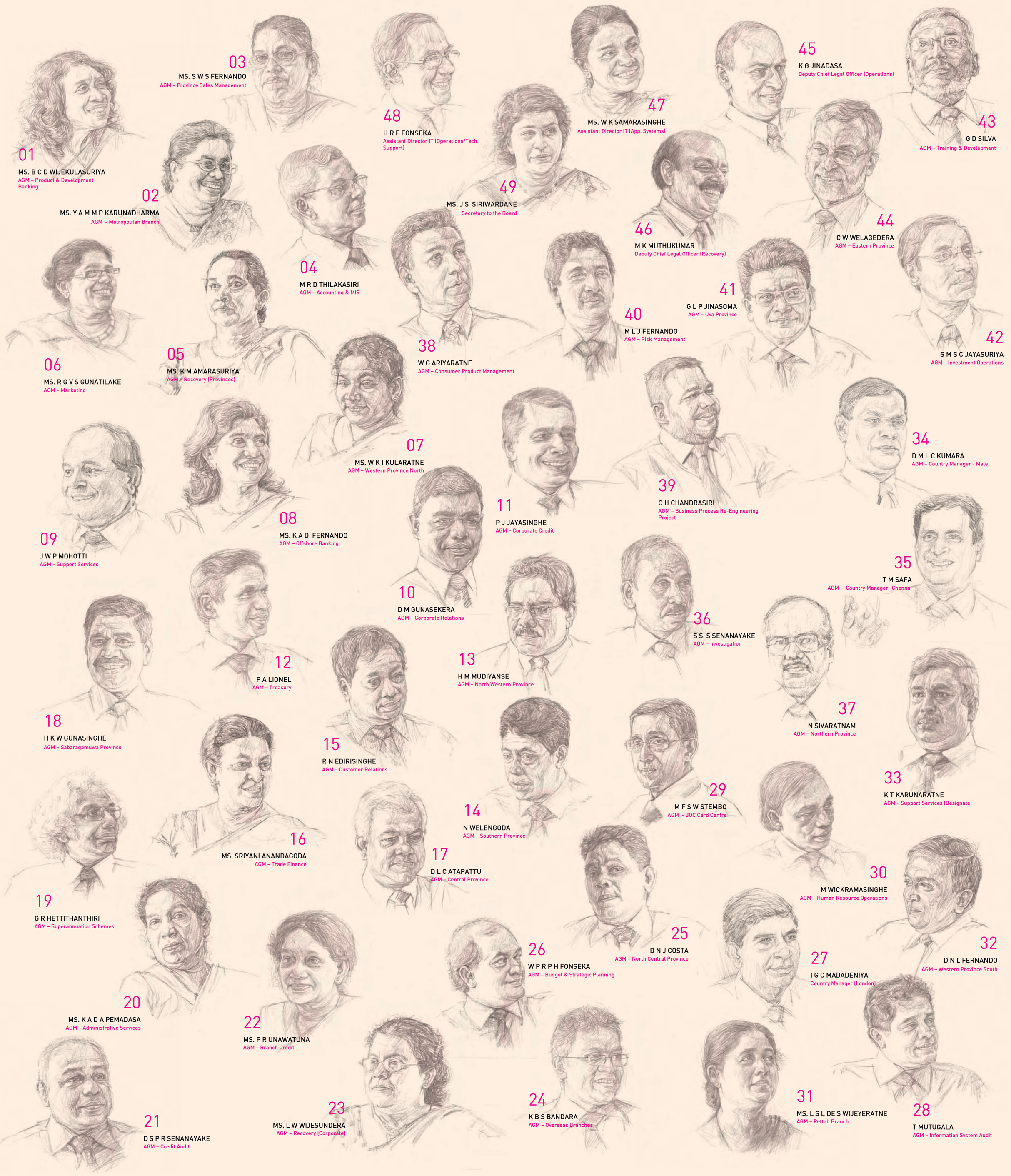
13

DR. W G KARUNADASA

Chief Internal Auditor

DBA (EU), MBA, FCA, FSCMA, CMA

Dr. Karunadasa is a fellow member of The Institute of Chartered Accountants of Sri Lanka, counts for over 30 years of experience in the fields of Accounting, Auditing and Financial Management. He has been heading the Internal Audit Departments/Finance Departments of leading commercial establishments and financial institutions of Sri Lanka for more than two decades.



01
MS. B C D WIJEKULASURIYA
AGM – Product & Development Banking

02
MS. Y A M M P KARUNADHARMA
AGM - Metropolitan Branch

03
MS. S W S FERNANDO
AGM – Province Sales Management

04
M R D THILAKASIRI
AGM – Accounting & MIS

05
MS. K M AMARASURIYA
AGM – Recovery (Provinces)

06
MS. R G V S GUNATILAKE
AGM – Marketing

07
MS. W K I KULARATNE
AGM – Western Province North

08
MS. K A D FERNANDO
AGM – Offshore Banking

09
J W P MOHOTTI
AGM – Support Services

10
D M GUNASEKERA
AGM – Corporate Relations

11
P J JAYASINGHE
AGM – Corporate Credit

12
P A LIONEL
AGM – Treasury

13
H M MUDIYANSE
AGM – North Western Province

14
N WELENGODA
AGM – Southern Province

15
R N EDIRISINGHE
AGM – Customer Relations

16
MS. SRIYANI ANANDAGODA
AGM – Trade Finance

17
D L C ATAPATTU
AGM – Central Province

18
H K W GUNASINGHE
AGM – Sabaragamuwa Province

19
G R HETTITHANTHIRI
AGM – Superannuation Schemes

20
MS. K A D A PEMADASA
AGM – Administrative Services

21
D S P R SENANAYAKE
AGM – Credit Audit

22
MS. P R UNAWATUNA
AGM – Branch Credit

23
MS. L W WIJESUNDERA
AGM – Recovery (Corporate)

24
K B S BANDARA
AGM – Overseas Branches

25
D N J COSTA
AGM – North Central Province

26
W P R P H FONSEKA
AGM – Budget & Strategic Planning

27
I G C MADADENIYA
Country Manager (London)

28
T MUTUGALA
AGM – Information System Audit

29
M F S W STEMBO
AGM - BOC Card Centre

30
M WICKRAMASINGHE
AGM – Human Resource Operations

31
MS. L S L DE S WIJEYERATNE
AGM – Pettah Branch

32
D N L FERNANDO
AGM – Western Province South

33
K T KARUNARATNE
AGM – Support Services (Designate)

34
D M L C KUMARA
AGM – Country Manager - Male

35
T M SAFA
AGM – Country Manager- Chennai

36
S S S SENANAYAKE
AGM – Investigation

37
N SIVARATNAM
AGM – Northern Province

38
W G ARIYARATNE
AGM – Consumer Product Management

39
G H CHANDRASIRI
AGM – Business Process Re-Engineering Project

40
M L J FERNANDO
AGM – Risk Management

41
G L P JINASOMA
AGM – Uva Province

42
S M S C JAYASURIYA
AGM – Investment Operations

43
G D SILVA
AGM – Training & Development

44
C W WELAGEDERA
AGM – Eastern Province

45
K G JINADASA
Deputy Chief Legal Officer (Operations)

46
M K MUTHUKUMAR
Deputy Chief Legal Officer (Recovery)

47
MS. W K SAMARASINGHE
Assistant Director IT (App. Systems)

48
H R F FONSEKA
Assistant Director IT (Operations/Tech. Support)

49
MS. J S SIRIWARDANE
Secretary to the Board

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