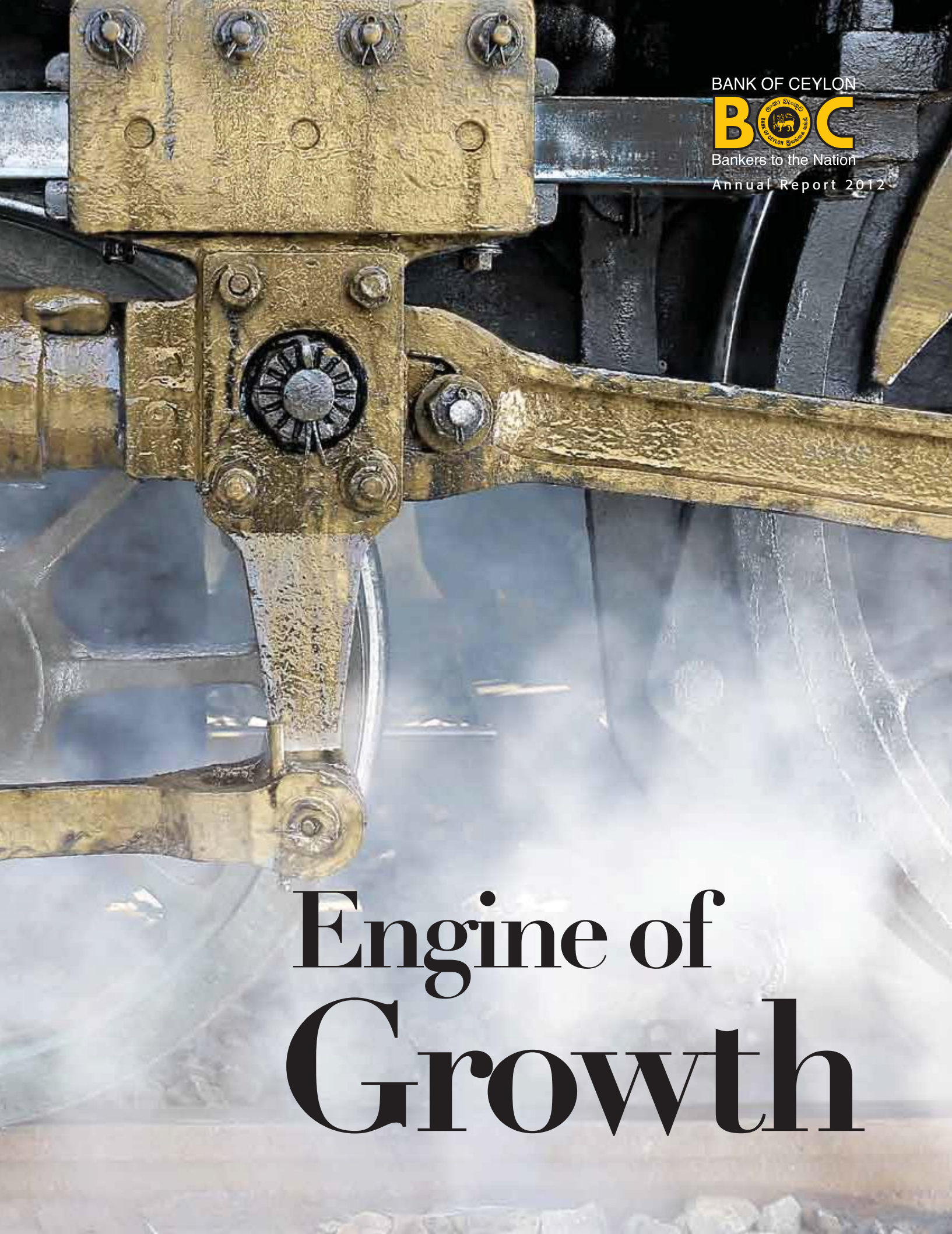

BANK OF CEYLON

BOC

Bankers to the Nation

Annual Report 2012

# Engine of Growth

www.boc.lk

# Engine of Growth

In the glory days of steam, heavily-loaded trains climbing steep gradients often required the help of an extra locomotive to help them in their ascent. The 'banking engine' or 'banker' was specially designed to deliver a surge of power on the ascent, maintain a steady speed and protect the train carriages or wagons from coming uncoupled and rolling back down the hill.

The Bank of Ceylon serves the same role on behalf of our customers and the national economy. We supply, at need, the boost of financial power that drives the nation's growth and development, and provide the added support to keep Sri Lankans moving smoothly toward their objectives and help prevent them from falling back again.

This year, we boosted the purchasing power of the Sri Lankan economy by USD 500 million through a successful bond issue and kept the wheels of commerce turning with loans and advances exceeding LKR 700 billion.

Climbing the gradient of growth under full steam, powered by a record trillion-rupee asset base, the skills and experience of our management and the commitment of our people, we achieved a height of over LKR 19 billion in pre-tax profits from banking operations conducted all over the country. Express growth, indeed.

Bank of Ceylon. The nation's engine of growth.

Fitch Rating: AA+(lka)

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We brought USD 790 million into the country's much needed international money of which USD 500 million through a bond and rest through syndications and bi-lateral arrangements...

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The Bank's collective risk management capability and competency supports successful implementation of strategic priorities and enables the development of a sustainable and resilient business that is responsive to the ever-changing environment.

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"We see huge opportunities in our core markets, both within individual markets, and in facilitating the explosive growth of trade and investment flows..."

# Business Highlights

**HIGHEST RANKED**
Sri Lankan bank
in the Bankers Almanac

Ranked among the
**best 1,000 world banks,**
by The Banker

Achieved
**LKR 1 trillion**
**ASSET BASE**
prior to the end of first half year.

**Expanded operations to over**
**1,050 service points**
island-wide

Worldwide network exceeded
**859 foreign correspondents**

Leader in inward foreign remittances with over
**38%**
**MARKET SHARE**

Leading the treasury operations of the foreign exchange market with over

# 50%

**MARKET SHARE**

# Largest off-shore banking operations

with the highest market share of assets.

**Successfully issued a**

# USD 500 million

international bond listed on the Singapore Stock Exchange. This was oversubscribed by 7.7 times.

Single borrower exposure capacity in excess of

# LKR16 billion

Volume of both advances and deposits were reaching

# LKR 700 billion

milestone

The Bank successfully issued the **fourth series of 5 year unsecured, subordinated debentures** listed on the Colombo Stock Exchange and raised

# LKR 6 billion

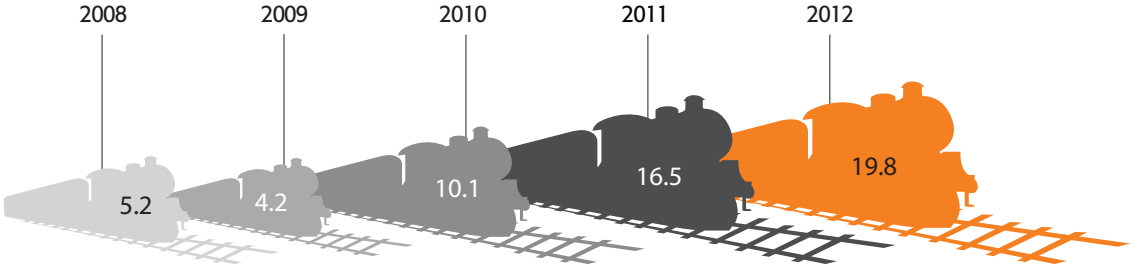
Retained the National Long-Term Rating

# 'AA+ (lka)

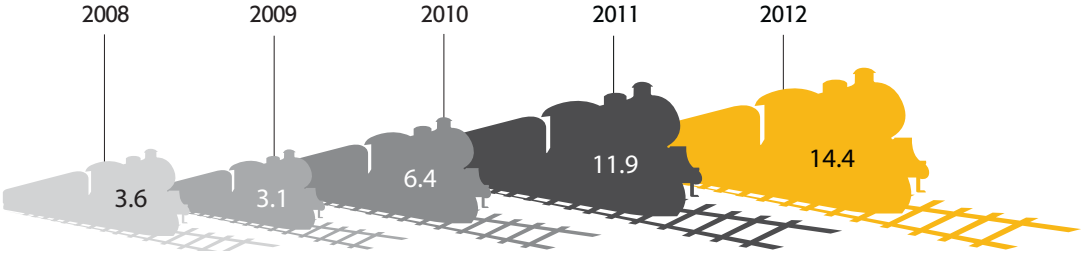
stable outlook'

# Financial Highlights

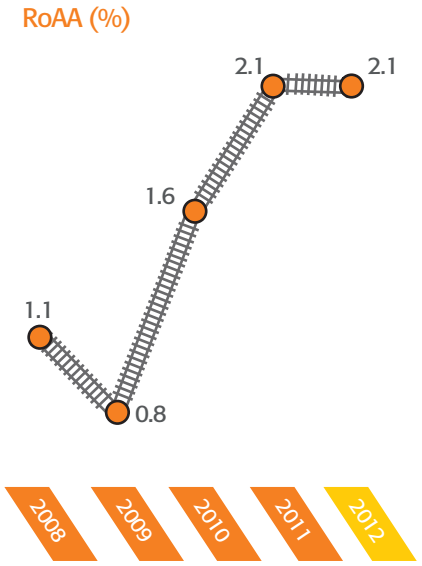
Profit Before Tax (LKR billion)

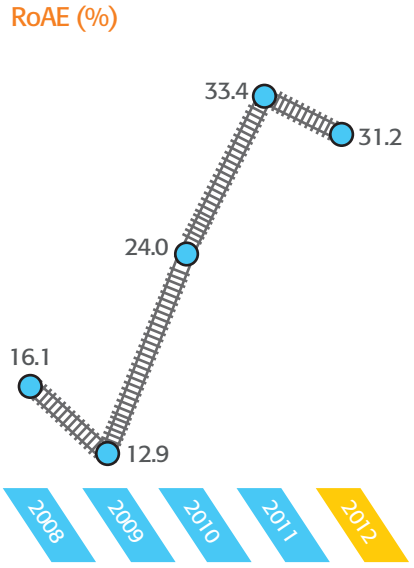



Profit After Tax (LKR billion)




Cost to Income (%)



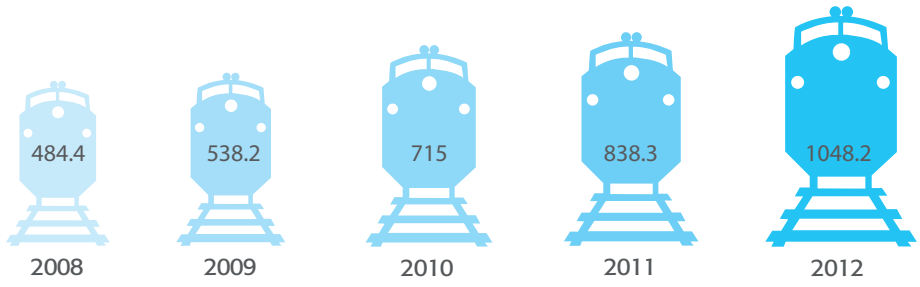




| | Bank | | | Group | | |
|---|---|---|---|---|---|---|
| | 2012 | 2011 | Change % | 2012 | 2011 | Change % |
| **Results of Operations (LKR million)** | | | | | | |
| Income | **110,138** | 70,457 | 56.3 | **115,527** | 74,857 | 54.3 |
| Profit before financial VAT and taxation | **23,009** | 19,000 | 21.1 | **23,482** | 18,880 | 24.4 |
| Profit before taxation | **19,794** | 16,485 | 20.1 | **20,246** | 16,491 | 22.8 |
| Profit after taxation | **14,417** | 11,918 | 21.0 | **14,608** | 11,667 | 25.2 |
| Value to Government | **13,938** | 10,929 | 27.5 | **14,259** | 11,267 | 26.6 |
| **Financial Position (LKR million)** | | | | | | |
| Total assets | **1,048,221** | 838,273 | 25.0 | **1,079,353** | 864,633 | 24.8 |
| Gross loans and advances | **714,847** | 561,766 | 27.2 | **733,706** | 577,688 | 27.0 |
| Loans and advances net of provision for impairment | **691,899** | 543,149 | 27.4 | **709,933** | 558,254 | 27.2 |
| Deposits from customers | **693,441** | 595,774 | 16.4 | **700,169** | 603,406 | 16.0 |
| Shareholders' equity (Capital and Reserves) | **50,953** | 41,354 | 23.2 | **58,643** | 48,840 | 20.1 |
| **Per Share Data (LKR)** | | | | | | |
| Earnings per share | **2,883** | 2,383 | 21.0 | **2,916** | 2,318 | 25.8 |
| Net assets per share | **10,191** | 8,271 | 23.2 | **11,445** | 9,478 | 20.8 |
| **Performance Ratios (%)** | | | | | | |
| Return on average assets | **2.1** | 2.1 | 0.0 | **2.1** | 2.1 | 0.0 |
| Return on average equity | **31.2** | 33.4 | (2.2) | **27.2** | 27.4 | (0.2) |
| Interest margin | **3.7** | 3.2 | 0.5 | **3.8** | 3.3 | 0.5 |
| Cost to income | **42.7** | 51.1 | (8.4) | **45.4** | 53.1 | (7.7) |
| Impairment provision as a % of gross loans & advances | **3.2** | 3.3 | (0.1) | **3.2** | 3.4 | (0.2) |
| Loans to deposit ratio | **103.1** | 94.3 | 8.8 | **104.8** | 95.7 | 9.1 |
| **Year on year growth in earnings** | | | | | | |
| **Statutory Ratios (%)** | | | | | | |
| Liquid assets ratio (Domestic) (minimum requirement 20%) | **21.8** | 23.4 | (1.6) | | | |
| **Capital adequacy ratios (%)** | | | | | | |
| Core capital adequacy ratio (minimum requirement 5%) | **8.3** | 7.8 | 0.4 | **8.9** | 8.7 | 0.2 |
| Capital adequacy ratio (minimum requirement 10%) | **11.4** | 10.9 | 0.5 | **12.4** | 12.2 | 0.2 |

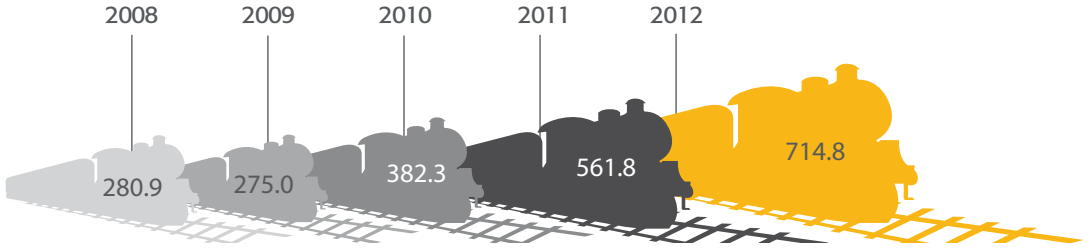
# Financial Highlights

"The assets of the group grew by 25% to LKR 1,079 billion whilst the loans and advances increased to LKR 733 billion, an increase of 27% over the previous year. The profit after tax is LKR 14.6 billion. The NPA Ratio of the Bank was checked to remain at 2.8% while the deposits grew at 16%."

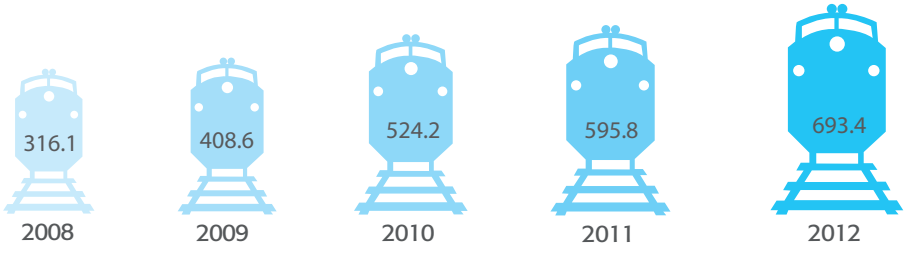
Total Assets (LKR billion)



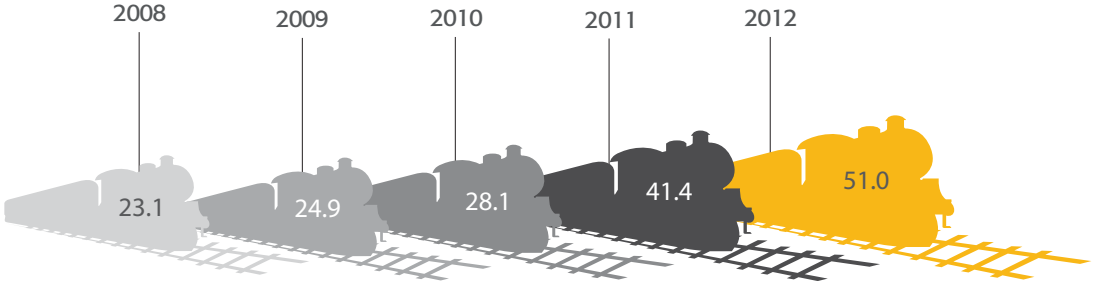

Total Advances (LKR billion)




Total Deposits (LKR Billion)




Capital & Reserves (LKR billion)



# Our Vision

# Bankers to the Nation

# Our Mission

## Customers

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

## Staff

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

## Owners

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

## Society

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

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 summarized below:

**1939**
Bank of Ceylon established as the nation's first modern, locally-owned bank.

Ceremonially opens on 1st 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 open 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 opened 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 LKR 50 million by Act of Parliament.

**1961**
Nationalization. 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, with the implementation of Comprehensive Rural Credit Scheme.

**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 commence.

**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 Automated Teller Machine ushers in the electronic banking era.

2010

# Historical Review 1939 - 2012

**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 to establish Nepal Bank of Ceylon Limited.

**1998**

MOU with Government results in greater management autonomy and target-based performance.

**2000**

Authorised capital further enhanced to LKR 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 LKR 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 implementation of an online core banking system in Asia Pacific region.

**2007**

Raised USD 210 million, the largest internationally syndicated debt by any Sri Lankan issuer; appointed Co-Manager of historic USD 500 million debut bond issued by the Government of Sri Lanka.

**2008**

Raised LKR 4.2 billion via a listed subordinated rupee debenture of 5 years; raised USD 21.6 million via a private placement of a 5-year subordinated dollar debenture.

**2009**

The first state bank to launch an Islamic Banking Unit, which operates through Island-wide network.

**2010**

Converted the London branch to a Subsidiary of BoC to be used as a Gateway to EU.

Established a specialized Investment Banking unit

Bank successfully raises LKR 5 billion in the second public issue of unsecured, subordinated redeemable five-year debentures.

**2011**

Fitch Ratings Lanka Ltd upgrades Bank of Ceylon's National long-term rating to "AA+( lka)" stable out-look which is the highest rating given to a local commercial bank in Sri Lanka, presently.

The Bank moves a further step forward with the introduction of an on-line leasing system covering the branch network.

BoC opens Premier Banking Centre for Private Banking.

**2012**

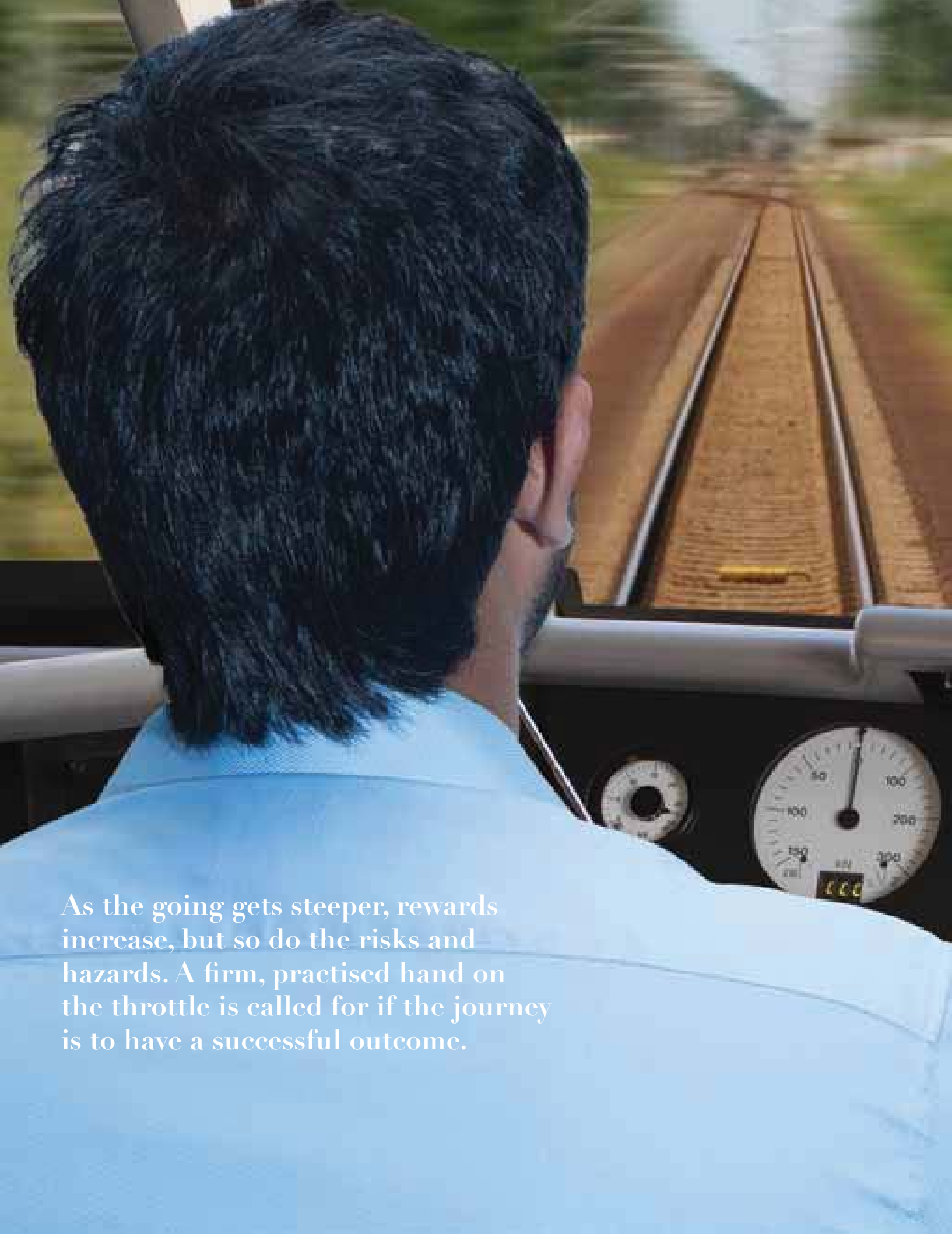
Became the first bank in Sri Lanka to reach a prodigious milestone by achieving rupees one trillion in Assets.

For the first time in Sri Lankan Commercial banking history BoC concludes a successful USD 500 million 5 year tenure bond issue, drawing subscriptions totalling USD 3.86 billion, more than seven times the amount sought.

Raised LKR 6 million in the 4th public issue of unsecured subordinated redeemable five year debentures.

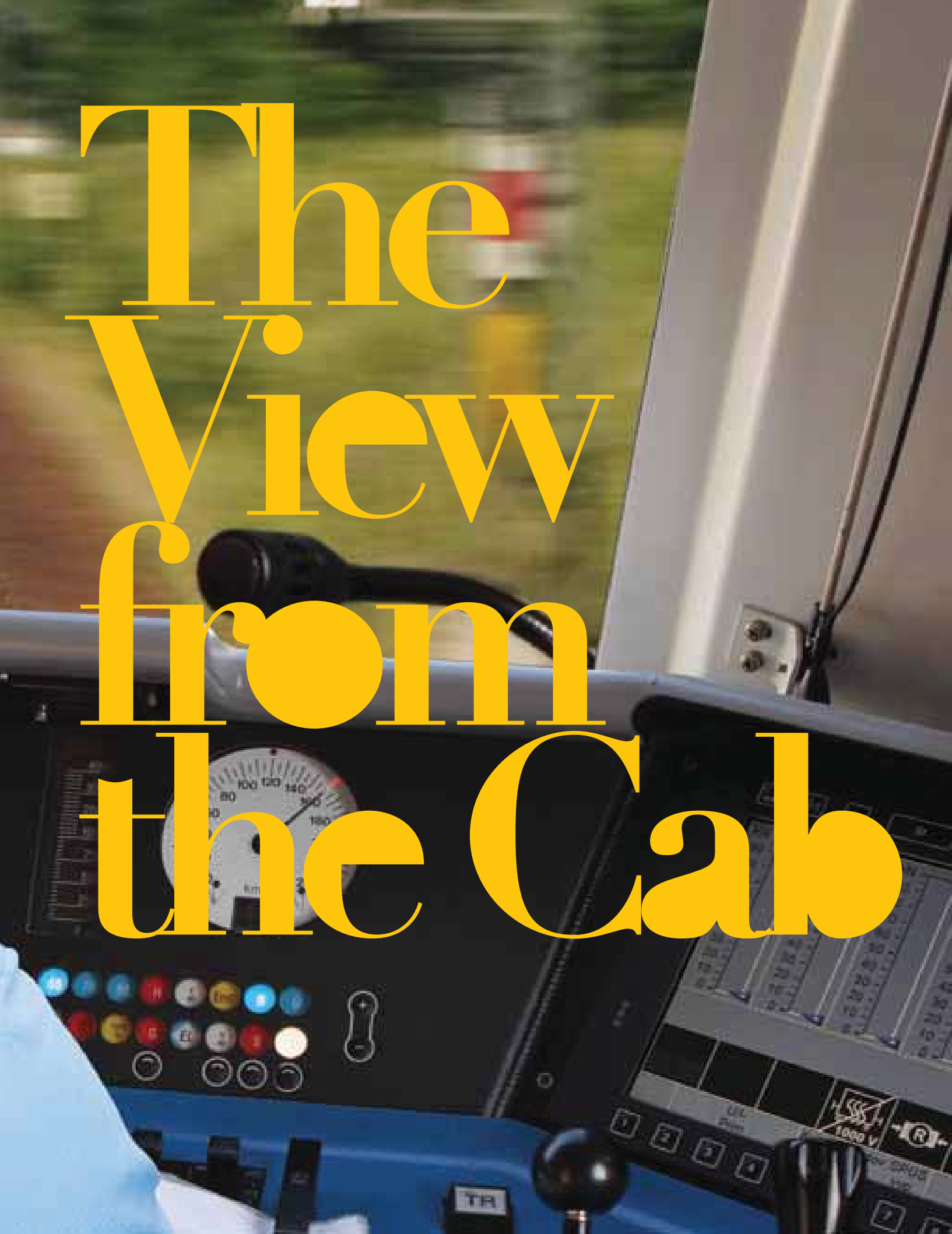
Exceeded 1000 customer service points this year and opened 11 service points in Northern Province in one day

Received global recognition as one of the top 1000 best banks in the world by the world's premier banking and finance magazine "The Banker".



As the going gets steeper, rewards increase, but so do the risks and hazards. A firm, practised hand on the throttle is called for if the journey is to have a successful outcome.

# The View from the Cab



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# Chairman's message

"We strategised to deliver results with a clear understanding of the potential domestic pressure on raising funds for domestic credit growth and the resultant pressure on margins. And we delivered results."

**Dr. Gamini Wickramasinghe**
Chairman

# We delivered what we promised...

**Dear Stakeholders,**

I am extremely proud to announce to you that your bank achieved the first ever trillion rupee balance sheet from among the Sri Lankan domestic banks. In 2009, we were brave enough to present our three year financial projection in keeping with the Government's Mahinda Chintana vision of achieving a per capita income of USD 4,000 by 2016. As a proactive move aimed at achieving this national goal, we took a forward looking stance to provide business opportunities to the masses, there by facilitating the financial and economic transformation as post war dividend. We even went to the extent of building a corporate plan slogan "One10Twelve" (rupees one trillion assets and rupees ten billion profit by year 2012) and put it on the public domain. I am deeply touched and extremely proud that our vision was right and we were able to achieve it in full, much ahead of the target date.

I am also happy to deliberate that this mammoth performance of your bank was achieved within very challenging global and domestic economic conditions. The year was full of challenges posed from several fronts. rising inflation, rupee depreciation, rising interest rates, drying up domestic liquidity and widening balance of payments presented a difficult environment for banks. The Bank therefore had to be very competitive in deposit mobilization by pressing the interest rate upwards. On the other hand, agriculture and allied value chains were affected by drought, heavy rains and floods in some parts of the island where our rural agricultural livelihood is concentrated. Our operational results and the targets were achieved despite all these difficulties.

## ECONOMIC ENVIRONMENT

In 2012 global economy did not emerge completely from the recession, which has continued since the economic crisis of 2008 - 2009. The Euro zone is still going through the aftermath shock of the financial crisis while the emerging economies too have not picked up from their slackened pace. So the world in 2012 experienced uncertain times posing a major concern to the local economic growth. With this global uncertainty, the overall Asian exports were affected.

Withstanding the unfavourable global environment, Sri Lanka continued its growth momentum. The timely supervisory measures taken by the regulators in the banking and financial sector along with fiscal and monetary measures maintained the discipline in the market, avoiding any possible adverse consequences.

We have certainly upheld the Government vision of public private partnership and continue in our efforts to support national development activities for economic progress.
Our bank continued to assist the key sectors of the economy such as housing, agriculture and tourism. The aspirations of the Government that laid emphasis on economic development as well as improved quality of life guided our mission to serve a wide spectrum of the social strata.

## FINANCIAL PERFORMANCE

We strategised to deliver results with a clear understanding of the potential domestic pressure on raising funds for domestic credit growth and the resultant pressure on margins. And we delivered results. The assets of the group grew by 25% to LKR 1,079 billion whilst the loans and advances increased to LKR 733 billion, an increase of 27% over the previous year. The profit after tax is LKR 14.6 billion. The NPA Ratio of the Bank was checked to remain at 2.8% while deposits grew at 16%.

The capital adequacy is on a declining trend as a result of the increased asset growth over the last three years. Future expansion is also restricted, mainly due to the limitation in capital. Therefore, strengthening of the balance sheet with additional capital is the most significant priority in our prudent yet farsighted planning process.

Further, the Bank's recent listed rupee debenture issue was extremely successful and became the biggest ever debenture issue made by any financial institution in Sri Lanka, making it the fourth successful listed rupee debenture issue by the Bank.

## ENHANCING THE CUSTOMER TOUCH POINTS

During the period under review, we increasingly focused on expanding into a wider community oriented domestic financial inclusion mandate.
We concentrated on the North and East in this effort to engage in economic development by expanding the branch network and increasing the man power in these provinces. Eleven branches were opened in the Northern Province on the same day. As a result the credit to North and East increased by LKR 7 billion in 2012.

We continued to expand in other provinces in order to consolidate and fortify our national footprint. Today, the network includes 600 customer service points after opening 34 new customer service points in 2012 whilst the growth of electronic banking services is demonstrated by the presence of 451 ATM points across the country.

The number of service points reached 1,000 with the establishment of Puthukkudiyirippu service center.

During the year we also commenced a number of initiatives such as Leasing Pola to penetrate into the leasing market and we secured a decent share from the leasing market in the year 2012.

## OUR INTERNATIONAL BUSINESS

We expanded our correspondence relationships by adding 25 banks in 15 countries to our network. However, in view of the UN sanctions on Iranian transactions, the Bank had to abandon all Iranian correspondence relationships during the year.

The Bank facilitated foreign remittances amounting to LKR 283 billion to the country during the year 2012, an increase of 15% over the previous year and continued to lead the inward remittances with 38% market share. This has been done by strengthening our relationship with the operating agents throughout the world, in addition to the improvements made to our owned proprietary web based fund transfer system. Several promotional activities were launched both locally and internationally to enhance the customer base.

Our major achievement in international operations is the issuance of a USD 500 million bond, which was drawn up mainly from Asia, Europe and America. This was the first ever listed bond from a non-sovereign entity from Sri Lanka which set the floor open for others to follow suit. The bond was over-subscribed by 7.7 times which is a testimony to acknowledge our credentials on our international acceptance. As part of this process we obtained international ratings from Fitch and Moody's which rated us on par with Sri Lanka's sovereign rating.

## CORPORATE SOCIAL RESPONSIBILITY

Our sustainability speaks of our organisational culture and values. Our CSR initiatives were aimed at improved community and social bases through agro-based livelihood, literary and cultural development and working alongside the tri-lingual initiative launched by President Mahinda Rajapaksa aimed at making sure that all Sri Lankans learn the three main languages; Sinhala, Tamil and English towards better ethnic harmony.

In upholding its objectives of meeting the needs of the people and contributing to the sustainable development of the country, the Bank initiated several CSR activities. Financial assistance provided for the Deegavapi Restoration Project, where the Bank funded the accommodation costs of labour, excavations and identified infrastructure facilities proved to be one of the major CSR activities during the year. Further aiming for sustainable economic development, the Bank undertook to re-build the Jaffna railway station which would facilitate the communities in the North and South to interact within socio economic groupings.

## IMPROVING OPERATIONAL EFFICIENCIES

Competitively, the information economy places high demands on our business. Continuous innovation is required to meet rapidly developing consumer preferences, a trend not limited to banking, while at the same time it is essential to provide robust and resilient operational capabilities. Clearly our business survives because of the quality of our people, systems and processes. Our people's technical ability, their market knowledge and experience in the industry make Bank of Ceylon's story more attractive. But we were aware of the challenges in a highly changing and a demanding consumer landscape that require investment in human capital, technology and infrastructure. And we will continue to invest along these lines.

## FUTURE OUTLOOK

We approach 2013 watching a number of potential challenges on our radar. As Europe and America are undergoing a period of reforms, the impact of such reforms will be felt by every part of the world. The banking sector will continue to face the liquidity and asset quality challenges given the current interest rate regime. More international funding will be focused to ease the domestic fund mobilisation competitions with a view to stabilise the interest rates. Expanding the man power base, investment in building human capital, upgrade on present technology platforms and introducing new technology based delivery solutions are lined up for 2013 to position the Bank to face future challenges.

## ACKNOWLEDGEMENTS

On behalf of the Bank, I would like to place on record our gratitude to customers for their sustained support and patronage. The contribution made by Auditors, Legal Advisors, Consultants and Correspondents is greatfully acknowledged. The stance taken by the trade unions of the Bank towards the progress of the Bank is deeply appreciated.

I am grateful to the General Manager, Senior Management and staff for the relentless support rendered to me and the Bank over the years.

My sincere gratitude goes to His Excellency the President, Honourable Deputy Minister of Finance and Planning, the Secretary to the Treasury and the Governor of the Central Bank of Sri Lanka. My Board of Directors has always been supportive and I wish to thank them all and wish them well.

In conclusion, I wish to state that this is my final report as the Chairman of Bank of Ceylon. I will stand down as Chairman on 8th January 2013 and hand over to my successor the task of taking forward the Bank to new heights.

I wish you all and the Bank of Ceylon very best.

**Dr . Gamini Wickramasinghe**
Chairman

7th January 2013
Colombo

# New Chairman's Way forward...

"We shall endeavour to diversify our revenue sources and introduce new product lines to make BoC the preferred Bank in high growth and high-potential sectors of the economy."

**Razik Zarook**
Chairman

# The Way Forward ...

At the outset let me place on record my appreciation to the former Chairman and the Board of Directors of the Bank of Ceylon. During the period under review they steered the Bank to achieve unprecedented results, under the guidance of His Excellency the President, who holds the portfolio of Minister of Finance, the Honourable Deputy Minister of Finance, the Secretary to the Treasury and his deputies and officials, who ably supported the Board at all times. I also appreciate the guidance and support extended by the Governor of the Central Bank, the Deputy Governors and the other officials.

The Bank of Ceylon over a period of time has not only enlarged its balance sheet but has also enhanced its brand equity with global acceptance.

The way forward is indeed a tremendous challenge, but I have every confidence that with the very able and vastly experienced staff under the stewardship of the General Manager, we could always sustain our growth path with greater commitment.

We shall certainly focus on improving capital adequacy to complement the asset growth enjoyed by the Bank in the past few years.

We shall endeavour to diversify our revenue sources and introduce new product lines to make BoC the preferred Bank in high growth and high-potential sectors of the economy.

Every effort shall be made to improve the online footprint of the BoC and to invest in information and communication technologies and mobile infrastructure. In this regard, we shall take every effort to train and mentor the management staff to meet the needs of a growing tech-friendly customer base and create a corporate culture that embraces change focused on enhancing value.

We shall also explore opportunities in our global backyard and along the old silk route.

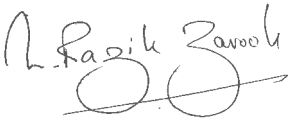
"The Bank of Ceylon over a period of time has not only enlarged its balance sheet but has also enhanced its brand equity with global acceptance.

The way forward is indeed a tremendous challenge, but I have every confidence that with the very able and vastly experienced staff under the stewardship of the General Manager we could always sustain our growth path with greater commitment."

We reckon however that the sailing will not always be smooth. One needs to be cautious particularly when the sailing is smooth and be prepared to assess and manage risks. It is with pride that I state that the management team has taken note of these possible scenarios and developed the corporate plan for the next three years focusing on the Bank's stability and financial strength to consolidate the leverage and growth achieved.

We will create a professional culture promoting the true spirit of governance among all stakeholders. The hidden talents of 9,000+ like-minded professionals and their skills should be considered as corporate treasures, heard, respected and explored to make the future of the Bank prosperous, creating a conducive environment to enable employees to engage and to take calculated risks. Mistakes of the past shall be a strength than a deterrence.

We shall endeavour to engage the Bank to integrate fully with the country's economic mandate and set the pace for a rapid transformation, both internally and externally to make the Bank of Ceylon the bankers to the future generation.



**Razik Zarook**
Chairman

21st March 2013
Colombo

# General Manager's Review

"Our remarkable financial position during the year reflects strong and well balanced performance from all core banking business lines across the all provinces."

**K Dharmasiri**
General Manager

# General Manager's Review

2012 was an excellent year of delivery for the Bank as its assets crossed LKR one trillion reaching LKR 1.048 trillion whilst the profit before tax reached LKR 19.8 billion surpassing the planned profit by 5% for the year. I am proud to announce that we fully achieved the Bank's corporate slogan "One10Twelve" set in 2009 to reach rupees one trillion assets and rupees ten billion profit by 2012.

The 2012 results were achieved against challenging economic and market climatic conditions. The Bank outperformed its own targets by posting a profit of LKR 19.8 billion before tax for the year under review with an increase of 20% over previous year. It is the highest ever profit in the history of Bank of Ceylon and in the industry.
The BoC's total assets reached LKR 1.048 trillion growing by 25% compared to previous year. Gross loans and advances of the Bank showed a growth rate of 27% and increased by LKR 153 billion. The deposits reached LKR 693 billion in 2012, an increase of 16% over previous year which was on par with the industry rate. Even though the assets quality remained stressed, Non Performing Loans ratio growing to 2.8% from 2.1% of previous year, our assets quality is still within the industry norms. Our remarkable financial position during the year reflects strong and well balanced performance from all core banking business lines across the all provinces.

We continued our expansion of the branch network in order to consolidate and fortify our national footprint. Today our network includes 324 branches, 276 extension offices, 10 SME Centres, and 451 ATMs, exceeding total customer touch points more than 1,000. On the international front, we expanded our presence by increasing our overseas representatives to 859 with a view to further consolidate our foreign remittances and NRFC deposits.

For the first time, we obtained international ratings from Moody's and Fitch Ratings who recognised the Bank's strength and steadfastness to rate us equivalent to Sri Lanka's sovereign rating while we retained our domestic rating AA+ stable by Fitch Rating (lka). We continued to be within the best 1,000 world banks ranked by the prestigious International Magazine, The Banker.

Our excellence in doing business was well recognised by the National Chamber of Commerce of Sri Lanka by awarding us the Gold medal for Banking Sector, Silver medal for Extra Large category and Bronze medal for the overall category in its annual award ceremony. These awards are done on ten point assessment criteria among which include financial performance, global reach, investment in technology, capacity building, governance and corporate social responsibility.

Our funding strategy envisaged by our corporate plan was executed and as a result, debut internationally listed bond was launched to raise USD 500 million which was more than 7.7 times over-subscribed by the international investors. Oversubscription to this magnitude to the bond is a testimony to our global acceptance and global reach. Through this issuance, we have now opened the gateway for any future issuer from Sri Lanka aspiring to reach global investors, to raise medium to large ticket size funding. We are proud of the diversity of the investors in our balance sheet. The proceed of the bond also assisted the banking system to maintain its interest rates at stable levels as it provided sufficient liquidity to the Bank as well as to the banking industry.
A special campaign was launched towards the year-end namely "BOC Mega Wasi" to sustain the low cost deposit base. In addition, several campaigns promoting NRFC deposits were launched throughout the year.

In order to discharge our duties as a state bank in economic development activities, many loan schemes were introduced during the year under review. A special loan scheme was made available namely "Siriliya Saviya" at low interest rates to enabling the small women entrepreneurs particularly targeting war affected women including war widows to rise up with social pride. This scheme was a great success as the Bank granted LKR 474 million among 3,282 entrepreneurs. In addition, the country's agricultural production was severely affected and as a result, cash flow of the agriculture value chain was hindered resulting in further pressure on loan recovery and asset quality. The loans that were affected by the flood and the drought were re-scheduled and further financing assistance was awarded to the affected farmers to ensure they recover from that situation. A sum of LKR 913 million was granted under "Diyawara Diriya" and "Diyawara Saviya" loan schemes for fisheries sector. On various other schemes such as estate sector employment credit scheme, Awakening North, Nagenahira Nawodaya, Horticulture loan scheme, self employment schemes to buy three wheelers and small transport vehicles etc, the Bank disbursed a sum of LKR 6,194 million among 67,233 recipients.

In view of the Government policy of improving infrastructure facilities of this country, the Bank commenced financing to infrastructural development projects particularly to the Road Development sector. Few projects are in progress and the Bank will continue its support to this sector. Considerable numbers of large facilities have already been sanctioned to Hotel Development projects in Colombo, outstations, Eastern Province and in Kalpitiya to help the booming tourism industry in Sri Lanka.

The movements in the current interest rates and the exchange rates also put pressure on the domestic liquidity thereby reducing the margins. This was well evident within the industry where every player's gross interest margin was reduced. Nevertheless the country's monetary and fiscal management policies were sound enough to cope up with the challenging environment in the year 2012.

On Human Resources front, we were able to sign the collective agreement with the main employee trade union that will be in force for three years. We recognized 418 employees who completed 25 years in services in the Bank. Further, the entire recruitment process was concluded towards a large intake into the Bank. Our Holiday homes were upgraded in Nuwara Eliya and Anuradhapura by adding more capacity to provide further welfare benefits to the staff.

The Bank successfully converted its financial statements to the new accounting standard regime for which we set up a permanent Accounting Standards Compliance Unit as we appreciate the complexities that will be faced by the Bank in future financial reporting. Conversion of the Bank's financial statements was a herculean task due to the size and complexity of our arrangement. Our financial results published are therefore under new accounting regime.

The business operations and growth in reporting profits of Maldives & Chennai were satisfactory while Male operations experienced a moderate credit recovery problem as the tourism industry in Male was responsive to its political situation. UK operations still have to break-even in times to come and arrangements have already been made to improve the situation.

Our subsidiaries and associates also performed well during the year paying dividend to the Bank. The Bank conducted performance reviews of subsidiaries and associates with their Boards as part of regular review process during the year.

We also involved in our corporate social responsibilities that are more fully described in the sustainability report of this annual report.

## WAY FORWARD

For the Bank's next step, a fresh Corporate Plan was developed in November 2012 for a three year period from 2013 to 2015. The new plan primarily focuses on the stability of the Bank's balance sheet through moderate and steady growth with industry competitive performance ratios. The Bank will also review its organizational structure towards achieving better results, focusing diversification of activities, improvements to the customer service and overseas presence. I will be retiring on 8th January and wish to handover the baton to the next General Manager who was substantially instrumental in developing the new plan and will implement it taking the Bank to its next height. I congratulate him and wish him success in his endeavours.

## ACKNOWLEDGEMENTS

I appreciate the support rendered by our loyal customers and placing their trust and confidence with us, and I am grateful for them for being with us to make our corporate dream a reality.

I am grateful to the support rendered to us by the Secretary to the Treasury, the Governor of the Central Bank of Sri Lanka, the Auditor General, the Attorney General and all officials of these institutions. I also take this opportunity to thank the consultants and such other accounting advisors who assisted us to make our balance sheet compliant with the new accounting standards.

Our stellar performance reflects the support and guidance rendered to us by our Chairman and the Directors. I take this opportunity to thank them.

I am very grateful to my predecessor Ms. W A Nalini who contributed tremendously towards the performance of the Bank in the year 2012, our corporate and executive management team, dedicated staff members and trade unions who gave their unstinted support to translate our corporate vision into reality whilst helping to uphold our corporate values and ethos by delivering a quality service. I extend my warmest appreciations and thank them profusely.

**K Dharmasiri**
General Manager

7th January 2013
Colombo

# New General Manager's Way forward

I have assumed the duties as the General Manager/CEO from January 2013 after a 29 years of stint working across the Bank taking over from Mr. Dharmasiri, the outgoing General Manager/CEO. My sincere appreciation goes to the Chairman and the Board of Directors of the Bank for having chosen me to this herculean task of driving this institution at a time when Banks have to play a pivotal role in building the nation and enhancing the wealth of the nation. I also take this opportunity to thank the Ministry of Finance and Central Bank of Sri Lanka for accepting my appointment.

It is my great pleasure to note that this Bank has come a long way to the number one position in the industry due to the commitments, loyalty and integrity of its past leaders, talents of its employees and the immense supports of its stakeholders. I remember them with my heartfelt gratitude. I therefore inherited an institution with a great culture of honesty and integrity which are the far most ingredients to steer the systemically most important Bank and I will continue to deliver the right leadership to maintain our culture of integrity and Bank' hard earned name.

Earning profits is not so difficult for which you could find many ways including short cuts. But earning public trust making the institution as a great confidence builder is not easy and that journey has no short cuts. It has only one path and that is the most difficult path with many sacrifices. Our Bank's history is rich with peoples who made sacrifices at all times. Now it is my duty to steer this "Titanic" and the waters ahead is full of challenges and require new paths and new methods of sailing.

To continue to be stronger and stable into the future, we will invest in building the right talent pool engaging

> "To continue to be stronger and stable into the future, we will invest in building the right talent pool engaging our people giving opportunities to, and inspiring them to reach their full potential. The Bank presently work with over 9,000+ minds in a great mix of knowledge of the entity and the new blood."

our people giving opportunities to, and inspiring them to reach their full potential. The Bank presently work with over 9,000+ minds in a great mix of knowledge of the entity and the new blood. A substantial investment will be made into people's skills and talents in all discipline of business. We will change our modus operandi to create a culture that everyone believes in himself/herself and believes in others, an environment that true power of the team work is exploited.

We will continue to invest to enhance the delivery capability of the branch network expanding the depth of the service and changing the look and feel of the infrastructure into a modernized look. We will consolidate our position in already opened customer service centers and convert our extension offices which presently offer limited banking services into full service branches.

Plans are set to modernise our IT platform to offer more efficient customer services and to better manage the Bank. In this regard our main core banking system is set for a major upgrade with enhanced front-end service capability. Risk management systems & processes will be upgraded to internationally accepted norms. Several other initiatives are lined up to transform the bank into the bank of the choice of the future generation.

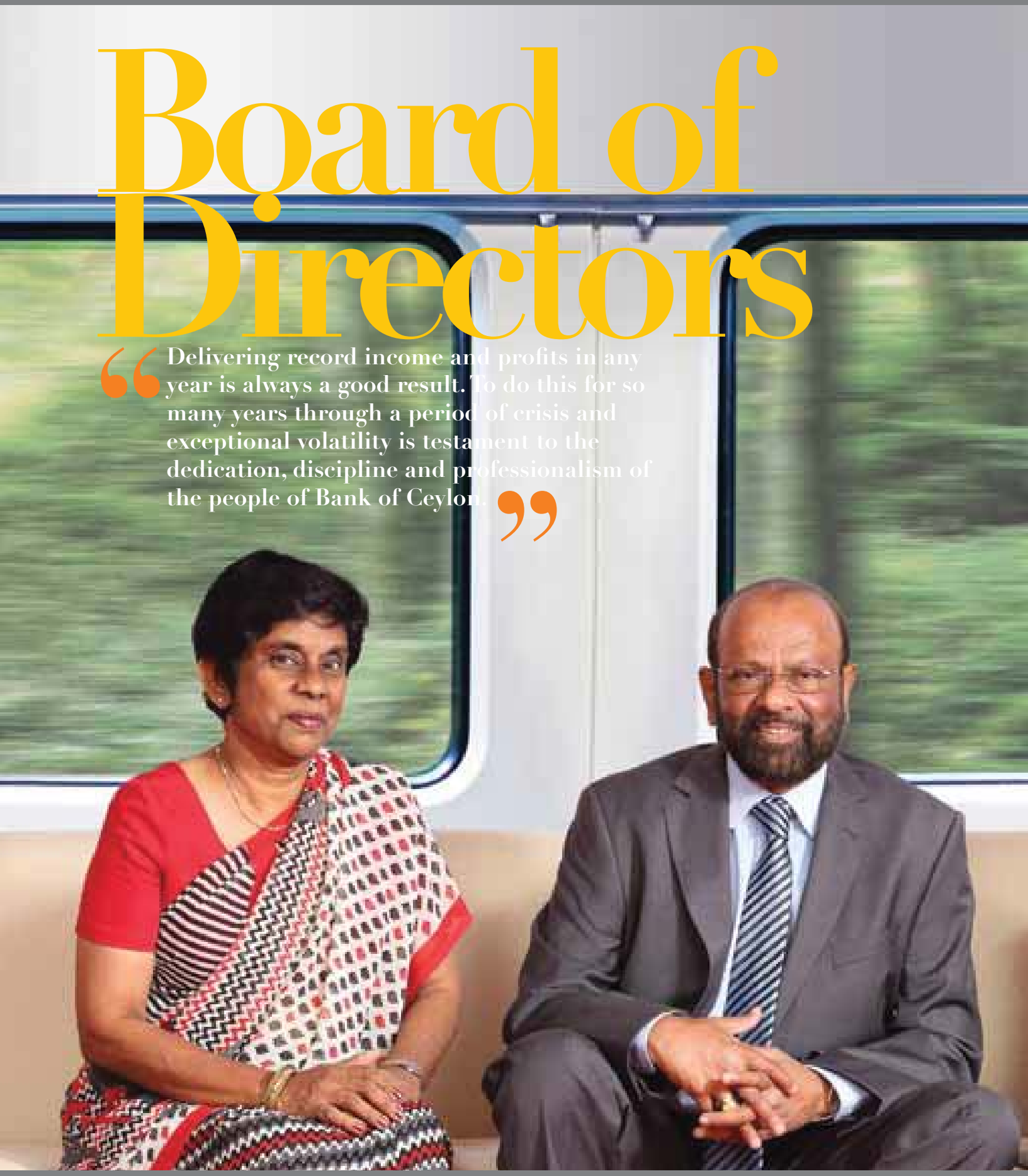
We will continue to offer our maximum strength to make Sri Lanka a better place to live.

**D M Gunasekara**
General Manager

21st March 2013
Colombo

# Board of Directors

"Delivering record income and profits in any year is always a good result. To do this for so many years through a period of crisis and exceptional volatility is testament to the dedication, discipline and professionalism of the people of Bank of Ceylon."



Ms. Nalini Abeywardene

Dr. Gamini Wickramasinghe

Mr. K L Hewage

Mr. Chandrasiri de Silva

# Board of Directors

Mr. V Kanagasabapathy

Mr. Raju Sivaraman

Mr. S R Attygalle

Ms. Janaki Senanayake Siriwardane

# Board of Directors

## DR. GAMINI WICKRAMASINGHE
### Chairman (upto 8th January 2013)

Dr. Gamini Wickramasinghe was the Chairman of the Board during the year under review. He was appointed as the Chairman in May 2007 and re-appointed in May 2010. He served as an Independent Non-Executive Director.

Dr. Wickramasinghe has extensive experience in both domestic and international markets. He is the Chairman of Informatics Group of Companies, one of the largest software development houses in the country. He served as the Chairman of the Securities and Exchange Commission of Sri Lanka from 2006 to 2009 and the Insurance Board of Sri Lanka from 2006 to 2008. He was also the Chairman of Bank of Ceylon (UK) Limited, Property Development PLC, Ceybank Holiday Homes (Private) Limited, BOC Management and Support Services (Private) Limited, Koladeniya Hydropower (Private) Limited and a Director of Mireka Capital Land (Private) Limited and The Lanka Hospitals Corporation PLC during the year under review.

Dr. Wickramasinghe has a Master's Degree in Systems Analysis from University of Aston, Birmingham, United Kingdom, and a Doctorate in Business Administration from Manchester Metropolitan University, United Kingdom. He is a Fellow of the Chartered Management Institute (FCMI), United Kingdom, the British Computer Society (FBCS) and the Institute of Bankers of Sri Lanka (IBSL).

## MR. RAZIK ZAROOK
### Chairman (from 9th January 2013)

Mr Razik Zarook, was appointed as the Chairman of the Board with effect from 9th January 2013 and serves as an Independent Non-Executive Director.

Mr. Zarook has extensive experience and knowledge in the fields of law, management and business. He served as the Chairman of the Cooperative Wholesale Establishment (CWE), the Agricultural Development Authority and National Aquatic Research and Development Authority (NARA) and was also a member on the Boards of Asian Hotels Corporation Limited, Lanka Canneries Limited, Ceylon Match Company Limited, Sathosa Engineering Services Limited, National Packaging Center and Ingrin Institute of Printing. He was the founder Chairman of Sathosa Motors Limited, Sathosa Printers Limited and Lanka Milk Foods Limited. He was appointed by the Government as Ambassador to the then Federal Republic of Yugoslavia and thereafter as the first Ambassador to Hungary and High Commissioner in Singapore.

Mr Zarook is a senior Attorney-at-Law and President's Counsel who was enrolled to the Bar in 1969. Mr. Zarook is also an alumni of the Indian Institute of Management Ahamedabad.

## MR. S R ATTYGALLE
### Ex officio Director

Mr. S R Attygalle was appointed as the Ex officio Director representing the Ministry charged with the subject of Finance on the Board of Bank of Ceylon in June 2010 and serves as the Non Executive Ex officio Director.

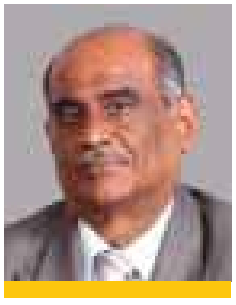
Mr. Attygalle brings to the Board the knowledge that bridges the Bank's goals with Government's objectives and the experience in financial services sector.

He was a Senior Economist of the Central Bank of Sri Lanka for a number of years and has also served as Director and Acting Chairman of National Savings Bank and a Director of Shell Gas Lanka Limited.

He presently serves as the Deputy Secretary to the Treasury.

He is a Director of the Sri Lanka Ports Authority and a member of the Superior Courts Complex Board of Management and the Insurance Board of Sri Lanka. He is also an observer on the Board of Investment of Sri Lanka.

Mr. Attygalle holds a Bachelor of Science (B.Sc) Degree in Mathematics from the University of Colombo and a Masters Degree in Economics from Warwick University, United Kingdom.



## MR. RAJU SIVARAMAN
### Director

Mr. Raju Sivaraman, Director was appointed to the Board in January 2006 and subsequently re-appointed in June 2007 and May 2010, and serves as an Independent Non - Executive Director.

With more than 30 years of experience in architecture and management, Mr. Sivaraman brings to the Board business experience in public and private sectors. He served as a Director of Merchant Bank of Sri Lanka PLC, Road Development Authority, Design Centre, Mireka Capital Land (Private) Limited, Property Development PLC and Milco (Private) Limited. He serves as the Managing Director of Arch-Triad Consultants (Private) Limited, an architectural consultancy firm and Ram Developers (Private) Limited.

Mr. Sivaraman is presently the Chairman of Ceylease Limited, and also serves as a Director of MCSL Financial Services Limited and Mireka Capital Land (Private) Limited. He served as a Member of the National Police Commission from 2006 to 2009 and was reappointed to the National Police Commission in 2012. He was a Council Member and the Treasurer of the Sri Lanka Institute of Architects.

Mr. Sivaraman is a Chartered Architect holding a Master's Degree in Architecture from the University of Moratuwa, Sri Lanka and a Fellow Member of the Sri Lanka Institute of Architects (F.I.A.).

## MS. NALINI ABEYWARDENE
### Director

Ms. Nalini Abeywardene, Director was appointed to the Board in May 2010 and serves as a Non-Executive Director.

Ms. Abeywardene brings to the Board extensive experience in the field of commercial law and more than 25 years of management experience in the private sector tea industry. She formerly practiced with a leading legal firm in Sri Lanka.

She served as a Commissioner of the Human Rights Commission of Sri Lanka from 2006 to 2009. She is a member of the Board of Management of the Galle Heritage Foundation of the Ministry of National Heritage and Cultural Affairs and a Director of Hotels Colombo (1963) Limited, BOC Travels (Private) Limited and Mussendapotta Estates (Private) Limited.

Ms. Abeywardene is an Attorney-at-Law.

## MR. CHANDRASIRI DE SILVA
### Director

Mr. Chandrasiri De Silva, Director was appointed to the Board in May 2010 and serves as a Non-Executive Director.

As a practicing lawyer, Mr. de silva brings to the Board extensive experience in law and in business and insurance sectors.

He previously served as a Director of People's Bank, People's Merchant Bank PLC and People's Insurance Company Limited and also a former Chairman of People's Travels Limited. He is presently the Chairman of BOC Travels (Private) Limited and a Director of Hotels Colombo (1963) Limited.

Mr. de Silva is an Attorney-at-Law and holds a Master's Degree in International Trade Law from the University of Wales, United Kingdom.

# Board of Directors

## MR. K L HEWAGE
### Director

Mr. K L Hewage, Director was appointed to the Board in June 2010 and serves as an Independent Non-Executive Director.

Mr. Hewage brings to the Board more than 40 years of experience in various fields, including consultancy, management, training, project finance, marketing and agriculture development.

He served as the Chairman of People's Merchant Bank PLC, Chairman and Chief Executive Officer of Janatha Fertilizer Enterprises Limited, Sri Lanka State Plantations Corporation, Sri Lanka State Printing Corporation and Provincial Road Development Authority (Western Province). He also served as a Director of People's Bank, the General Manager of Sri Lanka Institute of Co-operative Management and a member of the Governing Council of the University of Visual and Performing Arts. He is presently the Chairman of Ceybank Assets Managemet Limited. He is also a Director of Sesatha Property Sales & Investments (Private) Limited and Sesatha Enterprises (Private) Limited.

He holds a Bachelor of Science Degree from the University of Kelaniya, Sri Lanka and Master of Science Degree from the University of Reading, United Kingdom.

## MR. V KANAGASABAPATHY
### Alternate Director (upto 29th January 2013)

Mr. V Kanagasabapathy was appointed as the Alternate Director to Mr. S R Attygalle, the Ex officio Director, from July 2010 and served as a Non-Executive Alternate Director to the Ex officio Director on the Board. He also served as the Alternate Director to former Ex officio Directors since March 2006.

Mr. Kanagasabapathy brought to the Board more than 40 years of experience in the public sector, having served in several senior positions including Director / Additional Director General of Public Finance, Director General of Public Enterprises and Financial Management Reform Coordinator and Financial Management Advisor of the Ministry of Finance & Planning. He alse served as a Director of People's Bank, State Mortgage & Investment Bank, Merchant Bank of Sri Lanka PLC, MCSL Financial Services Limited, Lanka Hydraulic Institute Limited and as the Chairman of the Distance Learning Centre and also as a Senior Financial Consultant of the Academy of Financial Studies, which is the training arm of the Ministry of Finance & Planning. He is a Council Member of the Institute of Public Finance and Development Accountancy, President of the Association of Public Finance Accountants of Sri Lanka and a Member of the National Salaries and Cadres Commission. He is the Executive Director of Hotel Developers Lanka PLC.

Mr. Kanagasabapathy holds a Master's Degree in Public Administration from Harvard University, U.S.A. He is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka, the Institute of Public Finance and Development Accountancy, the Institute of Certified Management Accountants of Sri Lanka and the Association of Accounting Technicians of Sri Lanka.

## MR. R M A RATNAYAKE

### Alternate Director (from 30th January 2013)

Mr. R M A Ratnayake was appointed as the Alternate Director to Mr. S R Attygalle, the Ex officio Director from 30th January 2013. Mr Ratnayake serves as a Non Executive Alternate Director to the Ex officio Director on the Board.

Mr. Ratnayake brings to the Board his experience in the public sector of over 21 years in several senior capacities such as the first Director of the Revenue Division and as Director of Cash Management and Debt Management Divisions of the Department of Treasury Operations and the Director responsible for the construction, aviation and transport cluster in the Department of Public Enterprises of the Ministry of Finance and Planning. He has also served as the Assistant Director, Cash Management of the Department of State Accounts and as an Accountant at Government bodies. He has also served as a Member of the Boards of Sri Lanka Foundation Institute, Milco (Private) Limited, Chilaw Plantation Company (Private) Limited and Clothing Industry Tanning Institute. He is presently the Additional Director General of the Department of Treasury Operations of the Ministry of Finance and Planning. He is a Member on the Boards of West Coast Power (Private) Limited and De La Rue Lanka Currency & Security Print (Private) Limited.

Mr. Ratnayake holds a Masters Degree in Public Management from the National University of Singapore, Post Graduate Diploma in Managerial Control and Management Information Systems from Maastricht School of Management (MSM) of the Netherlands, Post Graduate Diploma in Business & Financial Administration from the Institute of Chartered Accountants of Sri Lanka and Bachelor of Commerce (B.Com Special) Degree from the University of Kelaniya, Sri Lanka. He is a Fellow Member of the Institute of Public Finance Accountants of Sri Lanka and a Member of the Association of Accounting Technicians of Sri Lanka (AATSL).

## MS. JANAKI SENANAYAKE SIRIWARDANE

### Secretary to the Board/Secretary, Bank of Ceylon

### Attorney-at-Law, LLB, MBA

# Corporate Management

Mr. K Dharmasiri Mr. D M Gunasekara Mr. P A Lionel Mr. M K Nandasiri Mr. H M Mudiyanse

Dr. W G Karunadasa | Dr Lionel Siriwardena | Ms. Dayani Fernando | Mr. Senarath Bandara

# Corporate Management

Ms. Janaki Senanayake Siriwardane

Mr. P J Jayasinghe

Mr. M L J Fernando

Mr. W P Russel Fonseka

Mr. T Mutugala Mr. W A Asoka Rupasinghe Mr. Indunil Liyanage Ms. S H Ranawaka

# Corporate Management

## MR. K DHARMASIRI
### General Manager

Appointed as the General Manager in June 2012 and retired on 7th January 2013. Held also the position of Additional General Manager, overseeing the operations of Corporate & Offshore Banking , International & Treasury and Marketing from June 2011 to June 2012.

Mr. Dharmasiri is a career banker with over thirty seven years of diversified banking experience both within and outside Sri Lanka and has extensive knowledge in monitoring and re-structuring of non-performing assets, strategic planning, corporate financial reporting and re-organization of branches coupled with the experience in holding key corporate management positions prior to present appointment. As a member of the Corporate Management since 2002, he has made immense contribution to maintain BoC non performing advance level below the industry average. He has held a number of key positions in the Bank's operations including corporate and offshore banking, finance and planning, inspection & audit and recovery. He served overseas as the Country Manager of Bank of Ceylon Male from 1997 to 2000 and as the Managing Director of Nepal Bank of Ceylon (Limited) Nepal in 2002.

Presently, he served as a Non-Executive nominee Director on the Boards of BoC Travels (Private) Limited, BoC Property Development & Management (Private) Limited, BoC Management & Support Services (Private) Limited, Bank of Ceylon (UK) Limited, Ceybank Holiday Homes (Private) Limited, Ceybank Asset Management Limited, Hotels Colombo (1963) Limited, Merchant Bank of Sri Lanka PLC. , Institute of Bankers of Sri Lanka, Credit Information Bureau of Sri Lanka, Lanka Financial Services (Bureau) Limited and LankaClear (Private) Limited.

Mr. Dharmasiri graduated from the University of Colombo with a First Class Honours in Commerce and holds a Bachelor of Philosophy in Economics. He is also an Associate Member of the Institute of Bankers of Sri Lanka.

## MR. D M GUNASEKARA
### General Manager

Mr. Gunasekara appointed as the General Manager on 8th January 2013. Held the position of Deputy General Manager in charge of Retail Banking and Sales and Channel Management from October 2010 to January 2013.

Joined the Bank in 1983, Mr. Gunasekara commenced his career in retail banking, which enriched him with a wealth of knowledge and experience in all aspects of credit management and administration. He served at BoC London branch from 1997 – 2000 and during his tenure in the UK, he received comprehensive experience in international banking operations. He counts for twenty nine years of experience in the banking sector including corporate and off-shore banking. As a resource person at the Banks' Training Institute, Mr. Gunasekara has readily responded to uplifting the knowledge of Bank's staff. He is also a Council Member of the Association of Professional Bankers and a resource person at the Institute of Bankers' of Sri Lanka.

He is a Non-Executive nominee Director on the Boards of Ceybank Asset Management Limited since August 2010 and Ceybank Holiday Homes (Private) Limited since June 2009. He served as a Non-Executive nominee Director on the Board of MCSL Financial Services Limited from 2008 to 2009. On his appointment as the General Manager on 8th January 2013, the Board of Directors of Bank of Ceylon has nominated Mr. Gunasekara for appointment as a Non Executive nominee Director on the Boards of BoC Travels (Private) Limited, BoC Property Development & Management (Private) Limited, BoC Management & Support Services (Private) Limited, Bank of Ceylon (UK) Limited, Ceybank Holiday Homes (Private) Limited, Ceybank Asset Management Limited, Hotels Colombo (1963) Limited, Merchant Bank of Sri Lanka PLC, Institute of Bankers of Sri Lanka, Credit Information Bureau of Sri Lanka, Lanka Financial Services (Bureau) Limited and LankaClear (Private) Limited.

He has successfully completed the programme on Corporate Management for Sri Lanka (LKCM2 AOTS) in Japan and Advanced Management Programme conducted by the Wharton University of Pennsylvania, USA. Mr. Gunasekara graduated from the University of Colombo, Sri Lanka with a Special Degree in Public Finance & Taxation in 1981. He is an Associate Member of the Institute of Bankers of Sri Lanka.

## MR. M K NANDASIRI
### Deputy General Manager (Recovery)

Appointed Deputy General Manager in May 2009. Holds the position of Deputy General Manager (Recovery) from August 2012. Held the position of Deputy General Manager (Support Services) from May 2009 to August 2012.

Joined the Bank in 1975, his experience in both domestic and international banking operations for over three decades has taken through management and leadership roles in the branch network. His broad exposure and knowledge towards trade finance provided leadership for the successful implementation of an automated trade finance system for the Bank and also for training of staff in that area. He served as Country Manager of the BoC branch in Chennai from 2005 to 2008.

He served as a Non-Executive nominee Director on the Board of Grand Oriental Hotel since September 2009. He was also the President of the Trade Finance Association of Bankers of Sri Lanka during the year 2010.

Mr. Nandasiri obtained a First Class Honours in Economics from the University of Colombo, Sri Lanka in 1974 together with a Bachelor of Philosophy in Economics in 1975.He is an Associate Member of the Institute of Bankers of Sri Lanka.

## MR. H M MUDIYANSE
### Deputy General Manager
### (Sales & Channel Management)

Appointed Deputy General Manager in October 2010. Held the position of Deputy General Manager (Human Resource) from October 2010 to August 2011.

Joined the Bank in August 1973, his extensive experience in retail banking has held in good stead for managing and developing the Bank's branch network in his present position. Prior to this assignment he served as the Assistant General Manager in the North Western Province where his knowledge and exposure in micro finance and agricultural sectors provided leadership to bring the province to new heights.

He has been an Alternate Director of the Institute of Bankers of Sri Lanka since October 2010. Mr. Mudiynase also served as a Non-Executive Director on the Boards of Ceybank Holiday Homes (Private) Limited, Wayamba Chamber of Commerce, Industrial Service Bureau and the Wayamba Development Bank from 2007 to 2010.

Mr. Mudiyanse is an Associate Member of the Institute of Bankers of Sri Lanka, and obtained a Postgraduate Diploma in Executive Bank Management from the same institute in 2001.

## MR. P A LIONEL
### Deputy General Manager (International, Treasury & Investment)

Appointed Deputy General Manager in October 2010. Held the position of Deputy General Manager (Investment Banking & Human Resource) from October 2010 to March 2012.

He joined the Bank in 1983 and has wide experience in the banking and financial services industry for over twenty nine years, particularly in the areas of treasury, international operations and investment banking. He held the positions of CEO of the Primary Dealer Unit of the Bank and headed the Treasury and Investment unit. While serving at BoC London branch he received broad exposure and extensive training in treasury management and forex dealing activities. He also served as Head of Treasury at the BoC branch in Karachi.

He is a Non-Executive Director on the Boards of the Lanka Hospitals Corporation PLC since 2010 and BOC Property Development & Management (Private) Limited since 2009. He is also a member of the Governing Board of the Institute of Bankers of Sri Lanka (IBSL), an Alternate Director of Ceybank Asset Management Limited since 2006 and was appointed as a Director on the Board of Lanka Securities (Private) Limited in the year 2012. Presently he is the First Vice President of the Sri Lanka Forex Association.

Mr. Lionel obtained his Bachelor of Arts Degree from the University of Colombo, Sri Lanka in 1980.

## MS. DAYANI FERNANDO
### Deputy General Manager (Corporate & Offshore Banking)

Appointed Deputy General Manager (Corporate & Offshore Banking) in September 2011. Held the position of Assistant General Manager (Offshore Banking) for over five years.

She has diversified experience in retail and corporate banking, gained through a career spanning over thirty seven years and specialized in credit management and administration specially in corporate sector. She also served in BoC London for three years handling branch operations and trade finance.

Ms. Dayani Fernando serves as a Non Executive nominee Director on the Board of Ceylease Financial Services Limited, an affiliate of BoC, as an Ex-Officio Director on the Board of Regional Development Bank and as an Alternate Director on the Board of Merchant Bank of Sri Lanka PLC.

She holds a Degree in Bachelor of Commerce (Honours) from the University of Colombo, Sri Lanka and a Bachelor of Philosophy in Economics from the same University.

## MR. SENARATH BANDARA
### Deputy General Manager (Product & Development Banking)

Mr. Bandara was designated as a Deputy General Manager in March 2012 and assumed the portfolio of Product and Development Banking in January 2013. Prior to that, he was attached to Bank of Ceylon (UK) Limited as the CEO / Executive Director.

He joined the Bank in January 1990 as a Management Trainee and rose up in the career gaining diverse experience in corporate banking, treasury management and international banking operations. He has gained a sound knowledge in banking regulations and compliance through his involvement in establishing the UK subsidiary bank and managing it later as the CEO. He had been a resource person in credit & investment management at the Institute of Bankers of Sri Lanka.

Prior to joining the Bank, he was an Assistant Lecturer at University of Kelaniya and later served as a Statistician at Mahaweli Authority. He is also on the Board of Merchant Bank of Sri Lanka PLC as a Non-Executive Director.

Mr. Bandara is a Science graduate from the University of Kelaniya, Sri Lanka and holds a MBA with a Merit Pass from Postgraduate institute of Management, University of Sri Jayewardenepura, Sri Lanka. He is a Fellow Member of Institute of Bankers of Sri Lanka and obtained a Postgraduate Diploma in Bank Management from the same institute achieving the best student award in 1998.

## MR. W P RUSSEL FONSEKA
### Deputy General Manager (Finance & Planning)

Appointed Deputy General Manager (Finance & Planning) in March 2012. Held the position of Assistant General Manager (Budget & Strategic Planning) from 2008 to March 2012.

He joined the Bank in January 1990. Commenced his career with retail banking and then specialised in financial management and strategic planning of the Bank, whilst acquiring wide experience in all aspects of commercial banking. He also served in Bank of Ceylon London branch where he obtained a comprehensive experience in treasury and international banking activities. He provides leadership & guidance in order to maintain a healthy asset and liability structure of the Bank.

Mr. Fonseka is the Chairman on the Board of Transnational Lanka Records Solutions (Private) Limited since November 2012. He has been serving as a nominee Director on the Board of Mireka Capital Land (Private) Limited since 2008. He also serves as an Alternate Director on the Board of LankaClear (Private) Limited and as an Observer on the Board of Sintesi Limited, a BOI approved Private Limited Company. Mr. Fonseka also acts as the

Chairman of the Audit Committee, a Board sub committee of LankaClear (Private) Limited since November 2012.

Graduated from the University of Sri Jayewardenepura, Sri Lanka, with a Bachelor of Science Special Degree in Business Administration and holds a Postgraduate Diploma in Management from the Postgraduate Institute of Management, University of Sri Jayewardenepura, Sri Lanka. He is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka and also an Associate Member of the Institute of Bankers of Sri Lanka.

## MR. P J JAYASINGHE
### Deputy General Manager (Human Resource)

Appointed Deputy General Manager (Human Resource) in March 2012.

Joined the Bank in 1977, Mr. Jayasinghe has multifaceted experience in the areas of retail banking, wholesale banking, international banking, treasury operations, offshore banking, trade finance operations, credit, recovery and human resource management. He has contributed to enhance the knowledge and skills of staff by serving at the Central Training Institute of the Bank, as a visiting resource person in Credit Evaluation and Administration, Credit Policy, International and Trade Finance during the last fifteen years.

He has served as the Secretary to the Credit Committee, and as a member of NPA Management Committee, Operational Risk Management Executive Committee, Panel of Judges of Quality Circle Competition and Panel of Judges in Sri Lankan Entrepreneurs Award – 2011 organized by the Federation of Chambers of Commerce and Industries of Sri Lanka (FCCISL).

Presently he serves as a Director of BoC Property Development and Management (Private) Limited and Ceybank Holiday Homes (Private) Limited and as a member of Human Resource Policy Committee, Chairman , Scholarships Committee, IT Steering Committee, Ex-officio Trustee of BoC Pension Trust Fund, Ex-officio Manager of BoC Widows & Orphans' Fund, and BoC Provident Fund. He is an Alternate Member of Board of Governors of Institute of Bankers of Sri Lanka (IBSL) and a member of the Audit Committee of IBSL.

Mr. Jayasinghe graduated from the University of Sri Jayewardenepura with a Special Degree in Commerce and holds Advanced National Diploma in Human Resource Management from National Institute of Business Management. He is an Associate Member of Institute of Bankers of Sri Lanka.

## MR. T MUTUGALA
### Deputy General Manager (Support Services)

Appointed Deputy General Manager (Support Services) in July 2012.

Joined the Bank in March 1974. He has a fine blend of skills in operational, banking, audit as well as overseas branch operations. Prior to present appointment, he provided leadership to Information Systems Audit function of the Bank for nearly five years as Assistant General Manager (Information Systems Audit). During this period he contributed to Bank's system implementation projects by providing audit clearances.

He is a Non–Executive nominee Director of MCSL Financial Services Limited and serves as the Chairman of Audit Committee and Risk Management Committee of the same company. He is also a Non-Executive nominee Director on the Board of Hotels Colombo (1963) Limited and Alternate nominee Director of Mireka Capital Land (Private) Limited and Credit Information Bureau of Sri Lanka.

Mr. Mutugala is an Associate Member of the Institute of Bankers of Sri Lanka, a Member of the Chartered Institute of Management Accountants and also a Certified Information Systems Auditor.

## MS. S H RANAWAKA
### Chief Legal Officer

Appointed Chief Legal Officer of the Bank of Ceylon in April 2012.

Joined the Bank of Ceylon, Legal Department in June 1986. Ms. Ranawaka is an Attorney-at-Law by profession and started her career in the Galle Bar in 1980. Prior to that she served as the Deputy Chief Legal Officer (Credit).

She is a member of the Bar Association of Sri Lanka and the President of the Corporate Lawyers Association of Sri Lanka. She is also a Director of BoC Property Development & Management (Private) Limited, a subsidiary of the Bank and an Alternate Director on the Board of Mireka Capital Land (Private) Limited. She is an Associate Faculty Member of the Central Training Institute of the Bank. Ms. Ranawaka holds a Masters Degree in International Trade Law awarded by the University of Wales and Post Attorney Diplomas in Banking and Insurance Laws and International Trade Law awarded by the Sri Lanka Law College.

## MS. JANAKI SENANAYAKE SIRIWARDANE
### Secretary to the Board

Appointed as Secretary to the Board / Secretary Bank of Ceylon in December 2005. She joined Bank of Ceylon in January 1996. Counting over fifteen years of experience in the Bank, Ms. Siriwardane specialises in Company Secretarial work and Corporate Governance Practices. In addition to being the Secretary to the Board of Bank of Ceylon, she serves as the Secretary to the Board subcommittees of the Bank. She also ensures compliance with the applicable Corporate Governance rules.

Prior to joining Bank of Ceylon, she practiced as a lawyer and then worked in several private sector companies handling company secretarial work including IPOs, mergers etc. and legal and HR work. She was a visiting Lecturer on Commercial and Industrial Law at the University of Kelaniya, Sri Lanka.

She is a nominee Director of Ceybank Holiday Homes (Private) Limited and serves as its Company Secretary and also of BoC Management & Support Services (Private) Limited.

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

## MR. W A ASOKA RUPASINGHE
### Chief Financial Officer

Appointed as Chief Financial Officer of the Bank of Ceylon in October 2009.

Prior to joining Bank of Ceylon, he worked as Head of Corporate Financial Affairs at Commercial Bank of Qatar and Head of Finance and Administration at Securities & Exchange Commission of Sri Lanka.

Mr. Rupasinghe serves as a Non-Executive nominee Director of Ceylease Limited since March 2010.

Graduating from the University of Sri Jayewardenepura Sri Lanka with a Special Degree in Business Administration in 1991, Mr.Rupasinghe holds an MBA in Finance from the University of Southern Queensland Australia in 2007. He is also a Fellow Member of The Institute of Chartered Accountants of Sri Lanka, The Institute of Certified Management Accountants of Sri Lanka and Association of Accounting Technicians of Sri Lanka (AAT). He also a Governing Council Member of AAT Sri Lanka.

## MR. LALITH J FERNANDO
### Chief Risk Officer

Prior to being appointed as Chief Risk Officer, he served as the Assistant General Manager (Risk Management/ Compliance) and the Acting Chief Risk Officer.

Joined the Bank in 1986, Mr. Fernando has over twenty six years experience in banking & financial services and has expertise in diverse fields including branch banking, investment banking, international banking and treasury operation. Prior to joining the Bank, he was a graduate teacher in Mathematics and Physics.

Engaged in Risk Management related activities of the Bank for the last eleven years, Mr. Fernando was instrumental in establishing the Integrated Risk Management Division of the Bank. He has been awarded the FRM designation by the Global Association of Risk Professionals - USA. This designation is globally regarded as having gained risk management expertise. He is also a renowned resource person in Risk Management for the University of Sri Jayewardenepura Sri Lanka, Institute of Bankers of Sri Lanka and the Centre for Banking Studies-Central Bank of Sri Lanka. On the invitation of Saudi Monetary Agency he successfully conducted a program on Credit Risk Management to Saudi bankers at Institute of Banking Riyadh as well.

Mr. Fernando holds a Bachelor of Science in Statistics from the University of Peradeniya, Sri Lanka and obtained his Master of Science in Management from the University of Sri Jayewardenepura, Sri Lanka. He is a Fellow Member of the Institute of Bankers of Sri Lanka.

## DR. W G KARUNADASA
### Chief Internal Auditor

Appointed Chief Internal Auditor of the Bank of Ceylon in March 2009.

Dr. Karunadasa has over thirty two years experience in the fields of accounting, auditing and financial management.

Prior to enlisting at BoC, he headed the Internal Audit Department of large commercial & financial establishments and served on the Board of Directors/ Corporate Management of The Finance Company PLC from 1988 to 2001.

Dr. Karunadasa holds a Master's Degree in Business Administration from the University of Sri Jayewardenepura, Sri Lanka in 1996 and obtained a Doctorate in Business Administration from the Irish International University (EU) in 2005.

He is also a Fellow Member of the Institute of Chartered Accountants of Sri Lanka and also a Fellow Member of the Certified Management Accountants of Sri Lanka.

## DR. LIONEL SIRIWARDENA
### Head of Research & Development

Appointed Head of Research and Development of the Bank of Ceylon in August 2009 and retired February 2013.

Dr. Siriwardena has over twenty three years experience in the banking sector handling macroeconomic research, financial performance analysis and forecasting. He has special exposure on business process re-engineering, productivity management, organizational restructuring and customer care.

Prior to his appointment as Head of Research and Development in Bank of Ceylon, he served at the United Nations Development Programme (UNDP) Regional Centre for Asia Pacific Region as a Senior Researcher from 2005 to 2009 and Research Director at the People's Bank from 1991 to 2004. He also served as a Research Consultant for UNDP Maldives, Lao PDR and Sri Lanka from 2008 to 2009, Regional Researcher for microfinance and rural development at the Asia Pacific Rural Agricultural Credit Association (APRACA) from 2001 to 2004, the editor of Economic Review from 1991 to 2004, visiting lecturer at the University of Colombo from 1995 to 1997 and Visiting Research Fellow at the University of Burgen, Norway and the University of Wageningen, the Netherland from 1979 to 1980.

Dr. Siriwardena holds a Master of Arts Degree in Economics from the University of Kelaniya, Sri Lanka in 1980 and obtained a Doctorate in Social Sciences from the University of Wargeningen, the Netherland in 1989.

## MR. INDUNIL LIYANAGE
### Chief Marketing Officer

Appointed Chief Marketing Officer of the Bank of Ceylon in September 2012.

Mr. Liyanage has over twenty three years of experience in financial services and fast moving consumer goods (FMCG) industry in Sri Lanka. Prior to his appointment as Chief Marketing Officer, Bank of Ceylon, he has served as the Assistant Vice President – Head of Marketing at NDB Bank, Sri Lanka. He has worked for many organizations in the field of marketing previously.

Mr. Liyanage was the first Sri Lankan selected for "Intercultural Education for Global Managers" programme at the Japan America Institute of Management Science (JAIMS) in Hawaii, USA. He was awarded a full scholarship by the Fujitsu Foundation of Japan to complete this programme, in recognition of his academic excellence and potential contribution to international understanding and goodwill in 1996.

He holds a Postgraduate Diploma in Marketing from the Chartered Institute of Marketing UK and a Master of Science (M.Sc) in Management from the University of Sri Jayewardenepura, Sri Lanka. Mr. Liyanage is a member of the Chartered Institute of Marketing (UK) since 1995. He is a Chartered Marketer since 1997, attached to the first batch of Chartered Marketers in Sri Lanka. He is a Fellow Member of the Chartered Institute of Marketing (FCIM) and as well as a Fellow Member of the Sri Lanka Institute of Marketing (FSLIM).

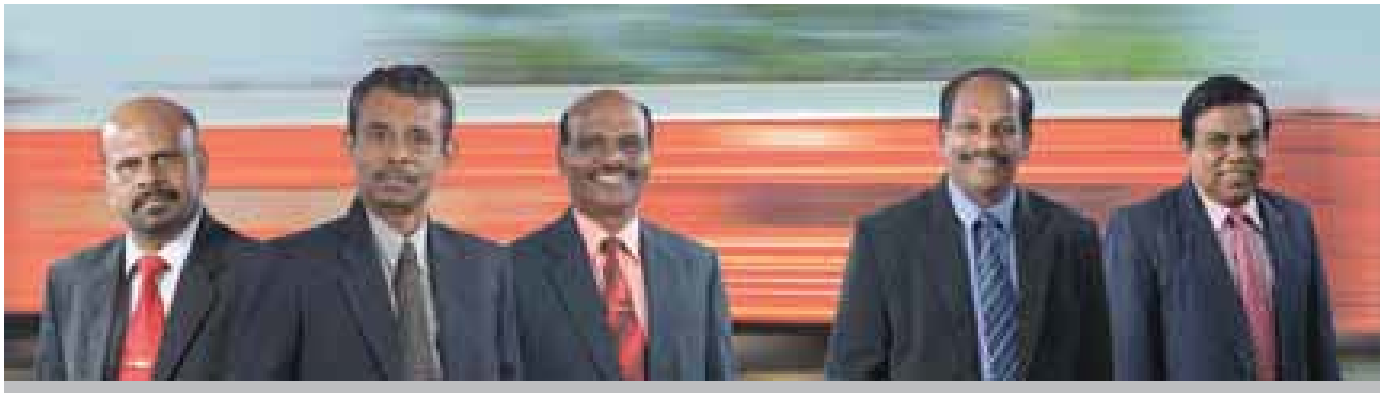
# Executive Management

Left to Right
Mr. H K W Gunasinghe (Assistant General Manager - Recovery Provinces), Mr. D N L Fernando (Chief Executive Officer - Bank of Ceylon (UK) Ltd)
Mr. K T Karunaratne (Assistant General Manager - Support Services), Mr. D M L C Kumara (Assistant General Manager - Accounting & MIS),
Mr. W G Ariyaratne (Assistant General Manager - Customer Relations)

Left to Right
Mr. G H Chandrasiri (Assistant General Manager - Uva Province), Mr. G L P Jinasoma (Assistant General Manager - Chennai)
Mr. S M S C Jayasuriya (Assistant General Manager - Treasury), Mr. G D Silva (Assistant General Manager - Training & Development)
Mr. C W Welagedera (Assistant General Manager - Consumer Product Management)

Left to Right
Mr. D P K Gunasekera (Assistant General Manager - Corporate Relations), Mr. K E D Sumanasiri (Assistant General Manager - Northern Province), Mr. W M S Wanasinghe (Assistant General Manager - Marketing), Mr. D K N Piyasoma (Assistant General Manager - Southern Province), Mr. E M U Bandara (Assistant General Manager - North Western Province)

Left to Right
Mr. H G Nihal (Assistant General Manager - Superannuation Schemes),
Ms. H M Ratnayake (Assistant General Manager - Administrative Services) Ms. C K Jayarathne (Assistant General Manager - Pettah Branch),
Mr. T P G Ranaweera, (Assistant General Manager - Male), Mr. L G N Cyril (Assistant General Manager - Human Resource Operations)



Left to Right
Mr. R M Haputhanthri (Assistant General Manager - Overseas Branches), Mr. H S Jayawardana (Assistant General Manager - Western Province South)
Mr. P M Premadasa (Assistant General Manager - Sabaragamuwa Province), Mr. M A Sumanaratne (Assistant General Manager - Western Province North)
Mr. W C K Wickramarachchi (Assistant General Manager - Branch Credit)

# Executive
# Management

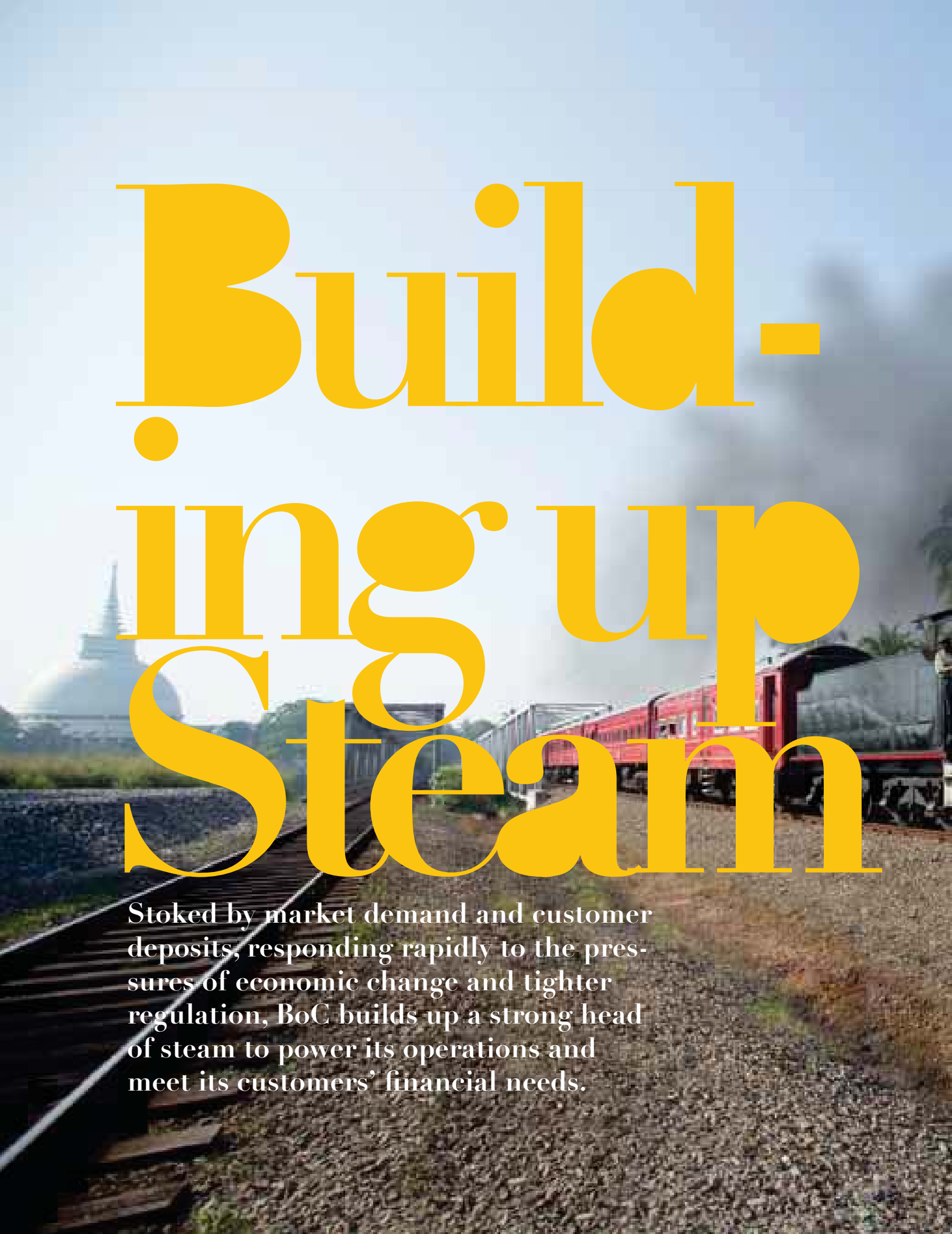
Left to Right
Mrs. E M S K Dangampola (Assistant General Manager - Central Province), Mr. D M G C Devasinghe (Assistant General Manager -Trade Services), Mr. J M D B Jayasundera (Assistant General Manager - Information Systems Audit),
Mr. C Amarasinghe (Assistant General Manager - Offshore Banking), Mr. K P Anandanadesan (Assistant General Manager - Eastern Province)

Left to Right
Mr. H M P B Herath (Assistant General Manager - North Central Province), Ms. W I Hettihewa (Assistant General Manager - Metropolitan Branch), Mr. M T M Jalaldeen (Assistant General Manager - Compliance), Mr. M J P Salgado (Assistant General Manager - Province Sales Management), Mr. W A C Tissera (Assistant General Manager - Product & Development Banking)

Left to Right
Mr. D M L B Dassanayake (Assistant General Manager - Corporate Credit), Mr. S M W Samarakoon (Assistant General Manager - International),
Mr. J M A Ariyaratne (Assistant General Manager - Business Process Re-engineering Project),
Mr. R M D V Jayabahu (Assistant General Manager - Budget & Strategic Planning), Mr. G H Wickremasinghe (Assistant General Manager - BOC Card Centre)

Left to Right
Mr. A S Dangalle (Assistant General Manager - Credit Audit), Mr. P G G Tissera (Assistant General Manager - Treasury Back Office),
Mr. G A Jayashantha (Assistant General Manager - Recovery Corporate), Mr. R P D K Ratnasinghe (Assistant General Manager - Designated),
Mr. J C A Kurundukumbura (Assistant Director IT - Operations/Technical Support)

Left to Right
Mr. M M L Perera (Assistant Director IT - Application Systems), Ms. M Gunasekera (Deputy Chief Legal Officer - Recovery)
Ms. D Kitulgoda (Deputy Chief Legal Officer - International & Investment Banking)
Ms. G Jayasinghe (Deputy Chief Legal Officer - Credit)



# Build-ing up Steam

Stoked by market demand and customer deposits, responding rapidly to the pressures of economic change and tighter regulation, BoC builds up a strong head of steam to power its operations and meet its customers' financial needs.

# Management Discussion & Analysis

Bank of Ceylon is the largest financial institution in Sri Lanka with over LKR one trillion in assets and an annual income of over LKR 100 billion. We serve over ten million customers through our network of 324 branches including two overseas branches, 276 extension offices, 451 ATMs, 762 correspondent banks in 119 countries and 97 exchange companies in 20 countries.

Our customers include large corporates, financial institutions, small and medium enterprises, high networth individuals, entrepreneurs and individuals who build relationships with us both here in our heartland and internationally through our branches. Our team comprises 7790 employees who are committed to serving our customers and stakeholders.

Bank of Ceylon is a Group that comprises the parent company Bank of Ceylon, 13 subsidiaries and five associate companies. See note number 1.1 under Group accounting policies on page 244 for further details on the Group structure.

Bank of Ceylon represents 97% of the total Group assets. The subsidiaries and associates together contribute 3% of assets and 5% of income to the Bank of Ceylon Group. Unless otherwise mentioned the Management Discussion and Analysis throughout this report refers to the parent company Bank of Ceylon only.

## RETAIL BANKING

The Retail banking division serves the customers, from high networth individuals in our premier centre, to all individuals and Small and Medium Enterprises (SME) through the largest retail banking network in Sri Lanka. Product & development – banking division also utilises the central banking network. Services offered include time deposits and savings mobilisation as well as current accounts, mortgages, a range of loan products, debit cards and credit cards.

More on Page 76

Contributing 36.20% to the Bank's Total Income

## CORPORATE AND OFFSHORE BANKING

The Corporate & Offshore Banking Division delivers products and services to domestic and offshore banking corporate customers which include large and medium sized corporate clients, financial institutions, the Government and state owned enterprises. Services offered include cash management, corporate lending, trade finance and loan syndications etc. This division also provides services through a centralised Foreign Currency Banking Unit (FCBU).

More on Page 82

Contributing 54.63% to the Bank's Total Income
(Including the Government segment)

## TREASURY AND INTERNATIONAL

Treasury manages the asset liability mix and the liquidity position of the Bank. It also trades in foreign currency transactions on behalf of customers as well as the Bank. Services offered includes, trading in treasury bills and bonds, derivative products such as currency swaps, interest rate swaps, forward exchange contracts and investment activities. This division oversees the Bank's foreign subsidiary, foreign branches, and correspondents banking relationships. Through its 762 correspondent banks in 119 countries the division has achieved market leadership in inward remittances, domestic treasury operations and international financing.

More on Page 86

Contributing 8.99% to the Bank's Total Income

## ISLAMIC BANKING

Islamic Financing offers Shari'ah compliant products and services. This is a niche area of banking where the Bank sees future potential. Services offered are Islamic deposit and investment/lending products. This is a sub unit of Retail Banking Division.

More on Page 79

Contributing 0.18 % to the Bank's Total Income

## BUSINESS SUPPORT FUNCTIONS

These include all other back office functions that enable the above business units to function and they include Information Technology, Finance, Risk, Human Resources, Legal, Audit, Compliance and Support Services etc.

Total Operating Expenses

LKR 20,869 million

# 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.

# Our Corporate Strategy

Build one of the largest and most diversified financial services institutions in Sri Lanka

# Major Goals

# "One 10 Twelve"

**One trillion**

**TOTAL ASSETS**

ACHIEVED LKR 1.048 TRILLION

**LKR 10 billion**

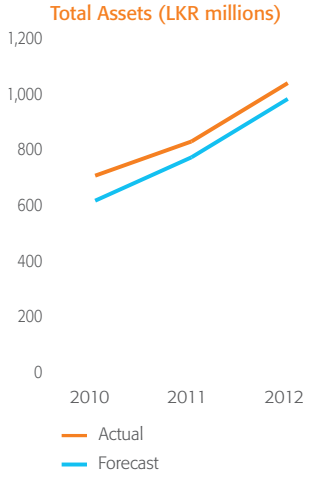
OPERATING PROFIT

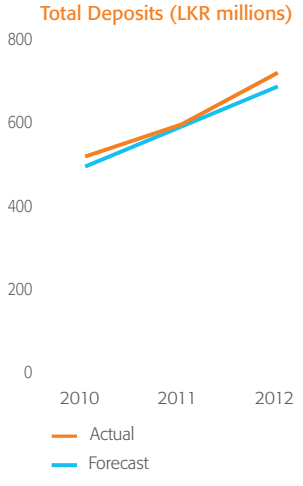
ACHIEVED LKR 19.8 BILLION

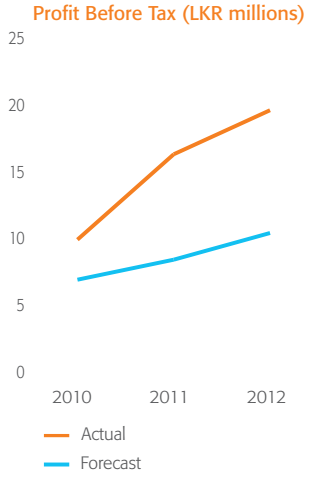
## By year / in 2012

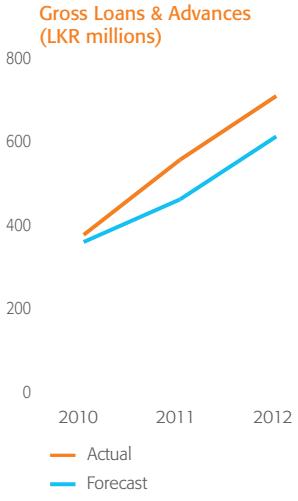
# Our Brave Three Year Promise..... Delivered

The corporate plan developed in 2009 in the aftermath of the resolution of the domestic conflict set the new direction for the Bank. This was a paradigm shift for the Bank under the banner "One 10 Twelve" corporate plan. The Bank achieved its goals in or well ahead of the time line 2012. Below we examine the main goals the Bank set out to reach as well as other achievements along this ambitious journey.



# Measuring strategic performance

## LKR 1.048 TRILLION

**TOTAL ASSETS ACHIEVED**

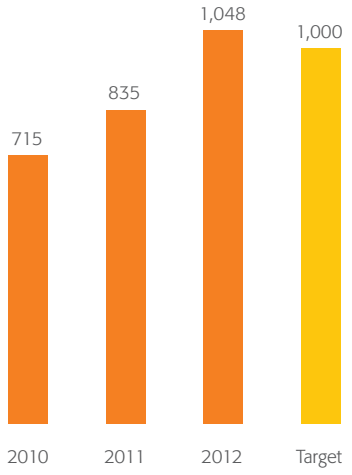
UP 4% OVER LKR 1.0 TRILLION TARGET

## LKR 19.8 BILLION

**OPERATING PROFIT**

UP 97% OVER LKR 10 BILLION TARGET

Growth in Total Assets
(LKR billion)




The Bank achieved a LKR 1 trillion balance sheet in May 2012, seven months ahead of schedule and became the first institution and first bank in Sri Lanka to have a one trillion rupee balance sheet. From a base of LKR 538,241 million in 2009, the Bank's asset base grew by 95% over the three years to reach LKR 1.048 trillion of which LKR 209,947 million was added in 2012.

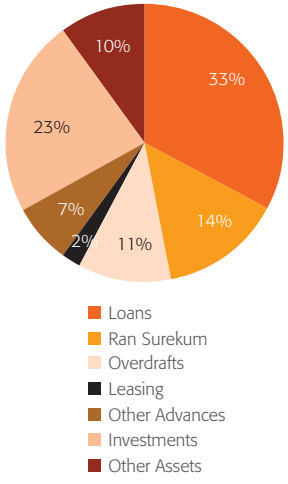
The accelerated growth was underpinned by strong domestic GDP growth and infrastructure development. The Bank focused its efforts on greater penetration of the emerging growth in both rebuilding the Northern and Eastern Provinces and further developing the other regions.

The asset growth has been driven by Investments and loans and advances, particularly in high yielding secured funding products driven by expansion in the provinces. The private sector has been the engine of growth with 62% of the advances as at end 2012. Credit to the private sector grew at 20% and the credit growth in the provinces was 33%.

This growth has been achieved while maintaining asset quality. The NPA increased slightly to 2.8% which is a very competitive ratio compared with that of other industry players.

Bank of Ceylon will become the only banking entity in the Government sector in Sri Lanka to achieve a profit before tax (PBT) of LKR 19.8 billion for 2012. This is compared to the original corporate plan of LKR 10 billion for the year 2012. The doubling of the Banks profit is a testimony of the Banks ability to integrate into the rapid economic growth of the country.

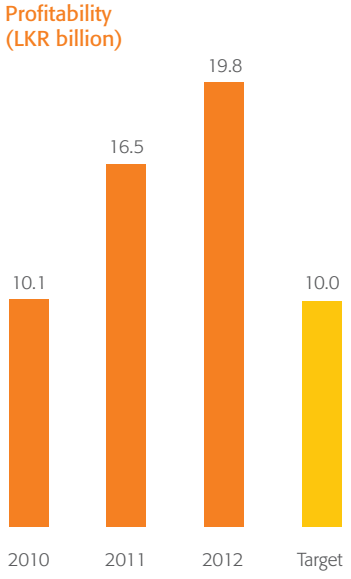
Assets by products
as at 31st December 2012

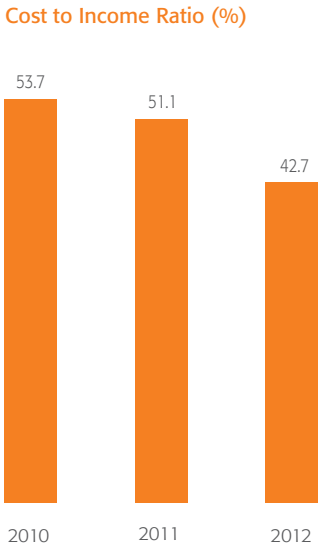


The phenomenal achievement has been possible due to a combination of income growth along with cost of funds and operating expense control.

The growth in profit is through sustainable core banking income streams and maintaining a healthy net interest margin by supplementing the deposit base with external borrowings.

Process automation and benefits of scale were the main reasons for the improved cost to income ratio. The Bank is confident that the solid foundations created will enable the Bank to go from strength to strength.




## 2012 other achievements

# First debut international listed five year bond was launched and raised

# 500
## million US dollars

Highest possible International rating
equal in par with sovereign rating

## BB- / Stable

FitchRatings

## B1 / Stable

MOODY'S

## Voted Most Valuable Brand
## LKR 15.192 billion

BRAND·FINANCE ®

## Ranked 3rd at LMD State Sector top 20

LMD
THE VOICE OF BUSINESS

## Ranked 966th of the top 1000 banks in the world

The Banker
GLOBAL FINANCIAL INTELLIGENCE SINCE 1926

National Chamber of Commerce
Business Excellence Award 2012

GOLD - Banking & Financial Services sector

SILVER - Extra large category

BRONZE - Overall winner (all companies)

# Financial Review Highlights

## PROFIT BEFORE TAX

Measurement: measures the profitability of the Bank after accounting for all expenses but before deducting the statutory taxes.

**Outcome: Recorded an impressive LKR 19.8 billion. A growth of 30% mainly due to increased business volumes across all provinces.**

## RETURN ON AVERAGE ASSETS

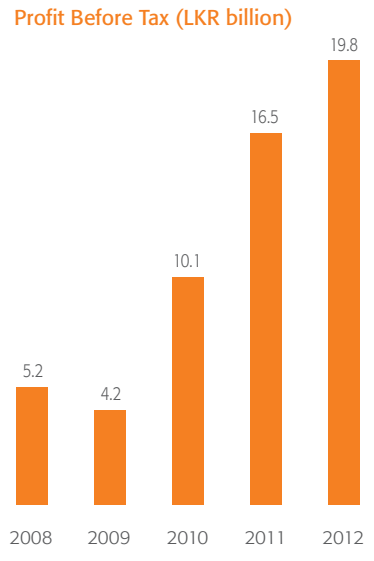
Measurement: measures how efficiently the Bank has utilised its assets.

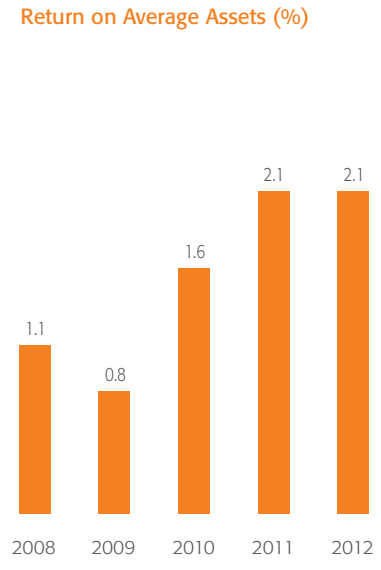
**Outcome; Maintained the RoAA at a similar level to 2011.**

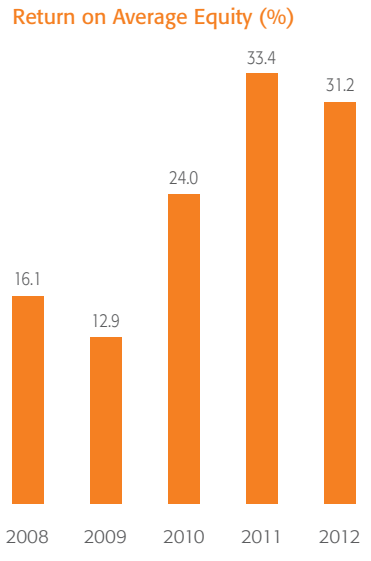
## RETURN ON AVERAGE EQUITY

Measurement: measures how much the Bank has earned as a percentage of shareholder funds.

**Outcome: RoAE marginally dropped to 31.2% merely due to the increased shareholder reserve base.**



## NET INTEREST MARGIN

Measurement: measures the net interest income as a percentage to the interest earning assets.

**Outcome: Notwithstanding the margin pressure posed by the rising cost of funding and lower market liquidity in the market during some parts of 2012, the Bank maintained interest margin at 3.7%**

## GROSS LOANS AND ADVANCES TO CUSTOMERS

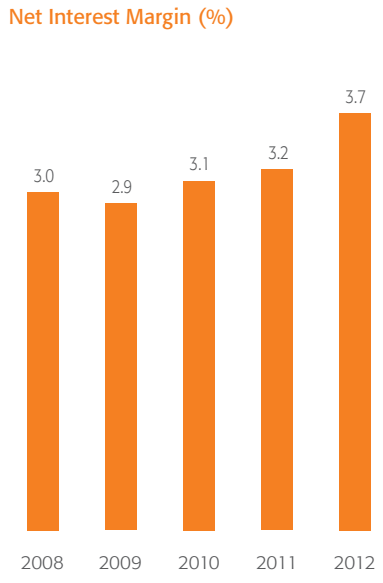
Measurement: the quantum of loans disbursed as overdrafts, trade finance, term loans etc.

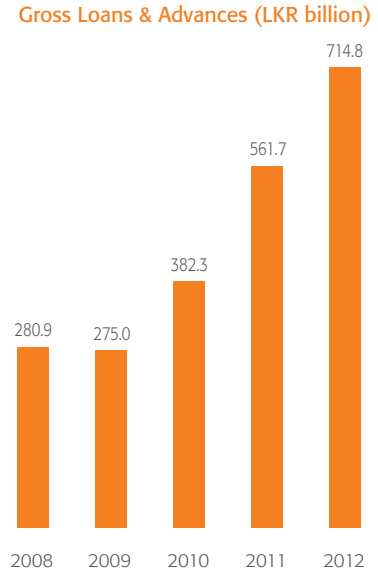
**Outcome: The loans and advances grew by 27% over the previous year. 19% of the growth came from the North East provinces.**

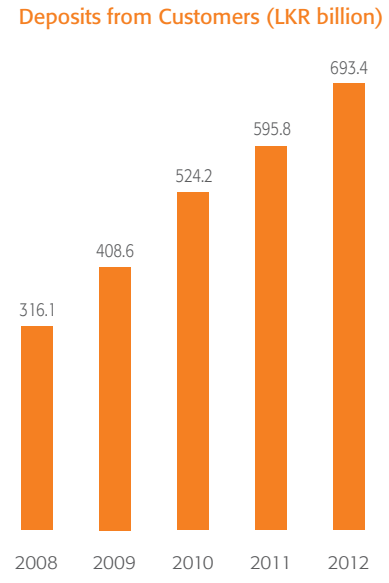
## DEPOSITS FROM CUSTOMERS

Measurement: the quantum of deposits placed by customers in the Bank in terms of current accounts, savings deposits, time deposits, CDs etc.

**Outcome: Reached LKR 693 billion reflecting the Bank's continued effort in promoting savings awareness among the rural and urban people.**



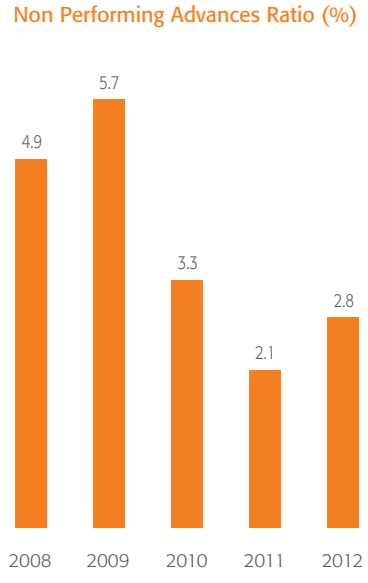




## NON PERFORMING ADVANCES RATIO

Measurement: Where a borrower fails to make interest or capital repayment on a timely basis and exceeds a stipulated period of time as per the Central Bank regulations, such loans are considered to be 'Non Performing'. The ratio calculates the quantum of non performing loans against total loans.

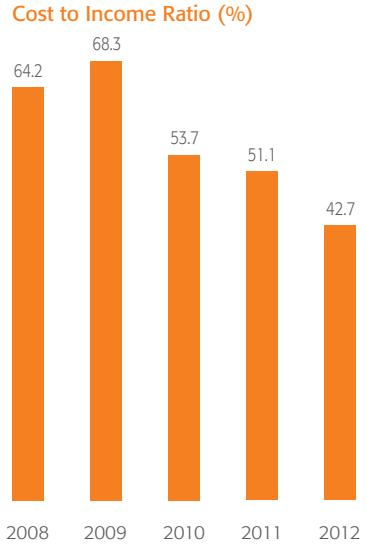
**Outcome: Asset quality came under pressure in 2012 as a result of the drought, floods and the political turmoil in Maldives that prevailed. This situation was further accelerated by the rise in interest rates.**



## COST TO INCOME RATIO

Measurement: operating costs as a percentage of operating income.

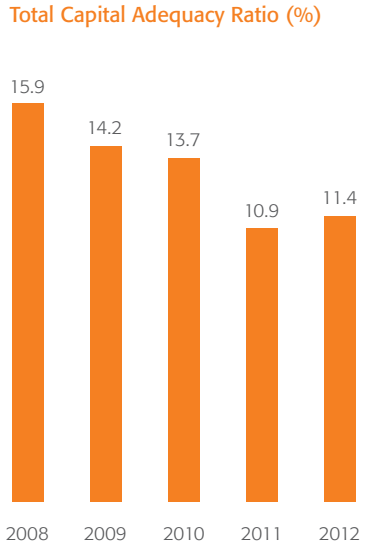
**Outcome: this indicator was an efficient 42.7%, a reduction from 51.1% in the previous year. Mainly due to increased productivity achieved through process automation and economies of scale.**




## TOTAL CAPITAL ADEQUACY RATIO (CAR)

Measurement: a measure of the Bank's capital. This ratio is used as a measure of Bank's ability to withstand the risk assumed by the bank.

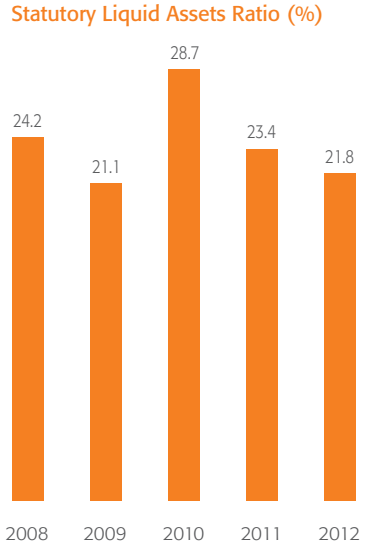
**Outcome: The Bank's capital adequacy ratio came under pressure due to the high asset growth seen over the last three years. The Bank's CAR is 11.4% in 2012.**




## STATUTORY LIQUID ASSET RATIO

Measurement: Statutory Liquid Asset Ratio refers to the amount of liquid assets, such as cash, precious metals or other short-term securities, that a financial institution must maintain in its reserves.

**Outcome: The Bank maintained adequate liquidity while balancing return on assets.**



# Financial Review

## INCOME

Total Income grew by 56% to LKR 110,138 million from LKR 70,457 million in 2011, a phenomenal increase largely due to increase in Interest Income. While Foreign Exchange Income also increased compared to previous year, fee based income remained stable as trade turnover was flat due to reduction in imports and weak global demand, which impacted exports. Increase in the balance sheet size and changes in the asset composition with more focus on high yielding assets has resulted in an increase in total income.

### Income Composition

| | LKR million | | |
|---|---|---|---|
| | 2012 | 2011 | Variance |
| Interest income | | | |
| Loans and advances to customers | 72,579 | 43,562 | 67% |
| Financial investments | 16,594 | 10,538 | 58% |
| Other | 5,848 | 7,122 | -18% |
| **Total** | **95,022** | **61,222** | **55%** |

The increase in interest income is driven by the growth in interest earning assets across all business lines of the Bank. Major growth was seen in interest income from both loans and advances which grew by 67% and Financial Investments which grew by 58%. This is mainly attributable to growth in balance sheet asset of loans and advances by 27% and Financial Investments-loans and advances and financial investments-Held to maturity, which together grew by 49%. The rest of the income growth is mainly attributable to the increase in interest rates.

Other interest income is earned from Available for sale investments, Held for trading investments, Reverse repurchase agreements and Placements with Banks. The income from these four categories decreased by 18% while the underlying assets as a portfolio decreased by 31%. The reduction in these assets was mainly due to reallocating them to loans and advances.

### Other income

| | LKR million | | |
|---|---|---|---|
| | 2012 | 2011 | Variance |
| Fee income | 6,666 | 6,133 | 9% |
| Foreign exchange income | 5,809 | 1,746 | 233% |
| Dividend income | 740 | 713 | 4% |
| Gains /(loss) interest rates instruments | 134 | (276) | -149% |
| Gains /(loss) equity instruments | (441) | (1,083) | -59% |
| Other income | 1,554 | 1,459 | 7% |
| **Total** | **14,462** | **8,692** | **66%** |

Fee based income has increased marginally by 9% compared to the previous year. Fee income was affected by the decline in import / export trades resulting in a lower growth notwithstanding that the Bank was able to sustain its trade finance activities by its strategy of expanding into remote provinces. Fee income from loan related activities grew by 17% while credit/ debit card expansion strategy resulted in increasing card related fees by 31%. The Bank's continued commitment to develop the inward remittances business was evidenced by its 8.1% increase in fee income. In addition guarantee fees increased by 8.5% while customer deposit related fees increased by 13.7%.

The European sovereign debt crisis and the US Fiscal cliff impacted the global currency market volatility, widening spreads and increased interbank trading were the major factors, which kept the forex market very volatile during the year 2012. Exchange Income more than doubled to LKR 5,809 million in 2012 from LKR 1,746 million in 2011. Of this income LKR 3,985 million or 69% was attributable to trading activities while rest was from mark to market revaluation. In the domestic market, volatility was caused by the devaluation of the Sri Lankan Rupee as the Central Bank decided not to intervene in the forex market and as a result trading gains increased by 150% compared to last year due to Rupee depreciation against the US Dollar. On the other hand the mark-to-market loss through trading instruments reduced to LKR 306,523.

Dividend income increased during the year by 4% mainly contributed by the increase dividend payments by the Bank's subsidiaries and associates as the Bank initiated a dialogue with subsidiaries and associates towards increasing their profitability and to pay-out market competitive dividends.

Trading gains from interest earning instruments slightly improved over the year while the Bank continued to make losses on equity instruments as stock market conditions have remained

bearish in the second half of 2012. Other income which increased by 7% mainly comprises income from other banking services, Islamic banking income, sale of property, plant & equipment used by the Bank.

## Expenses

Total Expenses recorded for 2012 was LKR 80,571 million as against LKR 53,171 million in the previous year. Interest expense accounted for 69% of the total expense while the remainder was in Operating Expenses.

### Expense Composition

| | LKR million | | |
|---|---|---|---|
| | 2012 | 2011 | Variance |
| Interest expenses on deposits | 38,177 | 24,842 | 54% |
| Interest expenses on borrowings | 21,524 | 11,373 | 89% |
| Operating expenses | 20,870 | 16,955 | 23% |
| Impairment (charges)/reversal for loans and other losses | (5,904) | 2,258 | (361%) |

Interest Expenses of LKR 59,701 million in 2012 grew by 65% over 2011. The increase is mainly contributed by both the increase in interest paying liabilities which grew by 26% and increase in market interest rates. Interest paid on deposits increased by 54% as a result of deposits growing by 16% along with rates increase. The increase in the cost of funds was also due to the Bank trends showing a shift in customer behaviour from retaining monies in current and savings (CASA) accounts to moving them to term deposit accounts with higher rates in order to benefit from the increase in market interest rates.

Interest paid on borrowings also increased by 89% as the total borrowing increased by 55%. The increased mid term borrowings both internationally through the USD 500 million bond issue and domestically through the LKR 6,000 million debenture issue were the main reason for the increase. Overall the debt securities and debentures, (which included the newly issued LKR 6,000 million debenture), grew by 10.6% resulting in interest paid increasing by 22% to LKR 4,618 million. There is also a considerable increase in interest paid for monies due to the Bank which increased by 55.6%.

Operating expenses for 2012 was LKR 20,870 million as against LKR 16,955 million in 2011 an increase of 23%. This includes mainly two expense elements: personnel costs and other expenses.

Increase in total personnel cost amounted to LKR 2,466 million. 23.6% of this is due to fresh recruitment for the branch network expansion and additional provision of LKR 600 million set aside towards initial past service cost of the proposed pension scheme for employees who joined the Bank after 01.01.1996 which is pending for approval. In addition the personnel cost of LKR 12,926 million for 2012 includes LKR 850 million as an adjustment for change in accounting policy from the application of new Sri Lanka Accounting Standards. (LKR 771 million was included for the previous year's comparative number).

Other operating expenses increased by LKR 1,448 million, an increase of 22.3% over 2011. The increase is mainly in the asset maintenance cost (16%), office administration cost (33%) and deposit insurance premium (28%). The asset maintenance and other office admin expenses increase were contributed by the expansion of the branch network and infrastructure enhancement as well as increased marketing expenditure. The marketing expense increase is a result of large promotional activities such as BOC Mega Wasi (special deposit mobilisation campaign) launched in 2012, the Leasing Fairs that were held to promote leasing business and inward remittance marketing campaigns.The deposit insurance premium increase of 28% is a result of the increase in deposits liable to the premium.

Provision for impairment and other losses of LKR 5,904 million is a substantial increase over 2011. (In 2011 it was a reversal of LKR 2,257 million). These impairments were calculated in compliance with newly adopted Sri Lanka Accounting Standards. The current year's impairment includes LKR 1,742 million from individually significant loans, LKR 2,374 million from collective impairment while LKR 1,788 million write down of the investment in SriLankan Airlines Ltd.

Asset quality came under pressure in 2012 as a result of the drought and

floods that prevailed in the country together with high market interest rates. Our branch in Malé also experienced deteriorating asset quality as a result of political turmoil in the country. Non Performing Advances on total assets stands at 2.8% as compared to 2.1% in 2011. The Bank is satisfied with this level of NPA in light of the phenomenal asset growth this year. In addition the Bank has put in place adequate risk mitigation measures to continue to monitor asset quality and take preventive action when needed.

## Profitability

The Bank has achieved another milestone with profit before taxes reaching LKR 19,794 million, an increase of 20% compared to last year. Provision for tax of LKR 5,378 million was deducted to arrive at profit after tax of LKR 14,417 million recording a growth of 21%. This is the largest profit that the Bank has ever made and substantially above the planned target of LKR 10,000 million envisaged by our 2010-2012 corporate plan. Notwithstanding the exchange mark-up the Bank's earning mainly comes from core banking sources.

The profit growth of 20% year on year was achieved in the following manner

### Year on Year Growth in Profits

| | LKR million | | |
|---|---|---|---|
| | 2011 | 2012 | Variance |
| Profit Before Tax 2011 | | | 16,484 |
| Add: | | | |
| Increase in interest income | 61,222 | 95,021 | 33,799 |
| Increase in foreign exchange income | 1,746 | 5,809 | 4,063 |
| Increase in fee based income | 6,133 | 6,666 | 533 |
| Increase in net gains/(loss) from investment securities | (646) | 433 | 1,079 |
| Increase in other income | 1,458 | 1,554 | 96 |
| Increase/(Decrease) in recovery of NPA | 1,442 | - | (1,442) |
| Less: | | | |
| Increase in interest expense | 36,215 | 59,701 | 23,486 |
| Increase in operating expenses | 16,955 | 20,870 | 3,915 |
| Increase/(Decrease) in provision for bad & doubtful debts | - | 4,116 | 4,116 |
| Provision for fall in value of investment | (815) | 1,788 | 2,603 |
| Increase in VAT expense | 2,516 | 3,214 | 698 |
| Profit Before Tax 2012 | | | 19,794 |

### Income Statement Summary

| | LKR million | | |
|---|---|---|---|
| | 2012 | 2011 | Variance |
| Total Income | 110,138 | 70,457 | 56.3% |
| Operating Income | 49,782 | 33,698 | 47.7% |
| Profit Before Tax | 19,794 | 16,485 | 20.1% |
| Profit After Tax | 14,417 | 11,918 | 21.0% |

The Bank's profit journey is on a stable track with a positive Interest Margin of 3.7%, and aggressive 25% productivity increase measured by Profit per Employee, which is LKR 2.5 million per employee as compared to LKR 2.0 million in 2011. All these have positively contributed to the improving trend in cost/income ratio. Accordingly, the Bank could sustain a healthy Return on Average Equity (RoAE) of 31.2% which is a very competitive ratio compared to peers in the industry.

### Selected Profitability Ratios

| | 2012 | 2011 |
|---|---|---|
| RoAE (after tax) | 31.2% | 33.4% |
| Cost to income ratio | 42.7% | 51.1% |
| Profit per employee | 2.5 | 2.0 |

## BALANCE SHEET SUMMARY

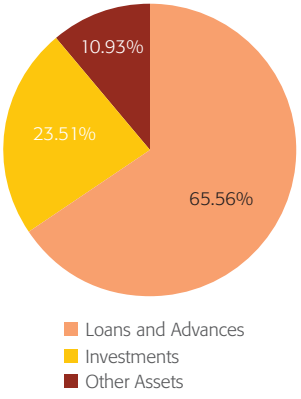
The Bank posted a sound balance sheet with a LKR 1.048 trillion assets base achieving a remarkable milestone in the history of the banking sector in Sri Lanka. This is a significant growth of 25% compared to previous year. The Bank's efforts of balancing asset distribution is reflected in the structure and composition of the main asset types in the balance sheet (see graph - asset composition). Loans and advances remains the major class of asset.

A substantial asset growth was recorded due to our engagement with the private sector, supporting fast growing infrastructure development activities, provision of working capital and investments in government financed projects.

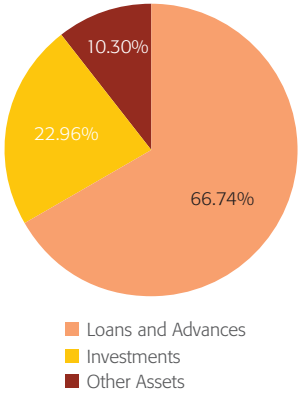
A stable balance sheet is maintained by a funding base of deposits and borrowings, while maintaining adequate liquidity within the Bank.

The Bank's net asset per share has increased from LKR 8.2 million per share to LKR 10.1 million per share fostering confidence and credibility with our stakeholders.

2011 Asset Composition




2012 Asset Composition




Below is a detailed review of the balance sheet.

| | LKR million | | |
|---|---|---|---|
| Assets | 2012 | 2011 | Variance |
| **Advances (Gross)** | **714,847** | **561,766** | **27%** |
| Loans | 345,794 | 279,492 | 24% |
| Ran Surakum | 146,666 | 123,579 | 19% |
| Overdrafts | 120,722 | 75,356 | 60% |
| Leasing | 22,574 | 14,762 | 53% |
| Other advances | 79,091 | 68,577 | 15% |
| **Investments** | **245,924** | **201,430** | **22%** |
| Securities & bonds | 238,290 | 194,348 | 23% |
| Companies | 7,634 | 7,082 | 8% |
| **Other Assets** | **110,397** | **93,695** | **18%** |

The two main asset classes of advances and investments grew by 27% and 22% respectively compared to previous year.

### Loans & Advances

Gross loans and advances grew by 27%. Customer deposits and stable borrowings including borrowing from international lenders and investors funded the growth. The offshore banking division which does not come under the credit ceiling also contributed 35% to this growth.

The Bank launched special programmes in provinces to enhance credit in all economic sectors with the full engagement of the newly opened branches. The branch expansion focused on penetrating into new hitherto under banked periphery. The Bank increased its lending to the North and East Provinces contributing towards rapid rehabilitation in the area. Our commitment to develop the North and East is well evident from the increased credit granted to these two provinces of LKR 6,630 million or a 19% increase over 2011.

The leasing portfolio increased by 53% mainly due to assistance extended to small entrepreneurial businesses in acquiring their implements. Our gold pledged loans "Ran Surakum" which are primarily granted for agricultural purpose and urgent financial needs of the rural population including micro entrepreneurs increased by 19%. Term loans increased by LKR 66,302 million or 24% while overdraft also increased by 60% to LKR 120,722 million.

Other loans which includes trade finance, credit cards, staff loans granted increased by LKR 10,514 million or

15%. Credit card advances increased by LKR 399 million, 20.4% while the trade finance loans increased by LKR 5,110 million or 11.1%. Staff loans had gone through a special accounting treatment under the new accounting standards where LKR 6,585 million was transferred to pre-paid staff cost in 2011 which is being amortized. Due to this treatment the staff cost has increased by LKR 767 million in 2012.

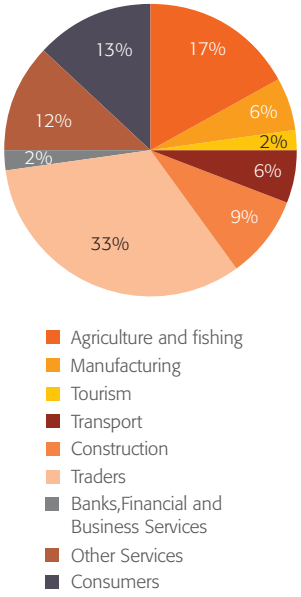
The Bank maintained a diversified loan portfolio which resulted in stable profitability streams flowing towards the Bank. Such a balanced loans growth in all sectors was made possible due to our risk management surveillance review practices.

In addition the Bank's lending in 2012 was approached with a view to striking right balance between profitability and risk.

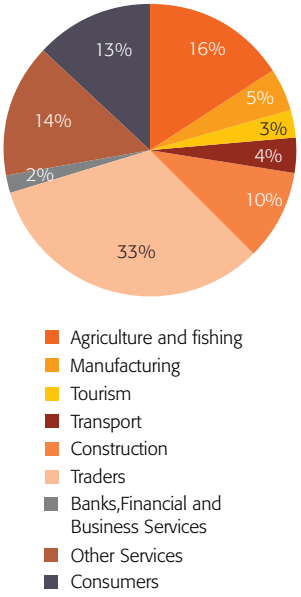
Agriculture and fishing loans were increased by LKR 15,236 million, (16%), in order to uplift the fishing industry and agriculture value addition in the country specially providing assistance to small and medium sized enterprises. The agricultural loans include loans given for paddy conservation and price stabilisation, loans granted to develop the up-coming maize cultivation and its value chain for both domestic consumption and exports and other agricultural development including commercial agriculture. Agricultural loans also include the loans granted to dairy development in which the Bank has so far granted LKR 3,812 million.

The Bank continued its lending to the fisheries industry in providing loans through its SME (Small & Medium Enterprises) loan schemes. The Bank's outreach revolved around products and services derived in activities such as boat repairs, mending nets and long line fishing. The total loans granted

Industry Concentration 2011




Industry Concentration 2012




during the year to the fisheries sector amounted to LKR 580 million a 36% growth over last year.

The credit granted to the manufacturing sector also increased by LKR 6,545 million which marks a growth of 20% compared to last year. Major components include the textile industry, steel manufacturing, packaging and industrial goods for domestic as well as export markets.

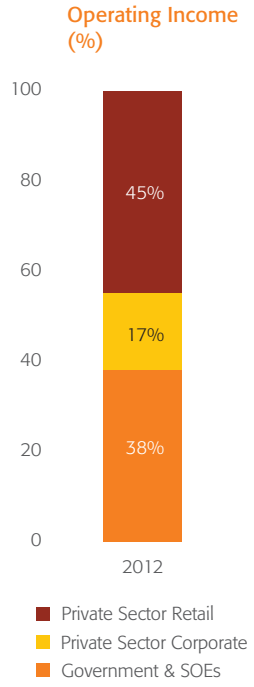
A substantial increase in credit granted to the tourism sector is due to the Bank's commitment to this sector to fast track the required infrastructure in meeting the growing demand. This was evident through the increase of LKR 5,225 million or 40% compared to last year. Some of these projects are still in progress and once completed will add substantial capacity to the industry value chain.

Complementing tourism is the Bank's commitment to the construction and infrastructure sector towards developing the infrastructure and enhancing the wealth of the nation. Credit granted to this sector increased by LKR 19,687 million or 37% which mainly includes real estates, roads, bridges and other infrastructure facilities. This is in addition to the substantial guarantees issued towards road developments.

Loans and advances granted for trading purpose increased by LKR 49,704 million or 27%. This was mainly due to the increase in loans granted towards fuel imports to the country. During the drought hydro electricity generative water streams dried up therefore electricity requirement of the country ran on thermal power engines resulting in increase in oil imports. The Bank had to substantially accommodate the extra imports requirement thereby increasing credit to this sector.

Credit granted to the transport service sector decreased during the year as the loans granted to Srilankan Airlines classified in this category was substantially settled.

Consumer lending also increased by




LKR 16,310 million (22%) as a result of more credit appetite from the employed population and the increase in per capita income of the country.

Private sector advances increased by 19.6% while the Government & SOE credit increased by 42%. The increase is mainly due to the increased credit granted towards fuel imports. The retail sector grew faster than the corporate loans reaping the results of our penetration into provinces.

The aggressive growth in the loan portfolio has also resulted in an increase in Non Performing Advances ratio (NPA) calculated as per the Central Bank's regulations from 2.1% of the previous year to 2.8% in the current year. This was mainly due to the flood and the drought that affected the country's agricultural output affecting the entire value chain while increasing interest rates also resulted in affecting the assets quality of the loans. The Bank has risk management structures that have been strengthened throughout its network to retain asset quality and take pro-active action to ensure that NPA remains within the Bank's risk appetite levels.

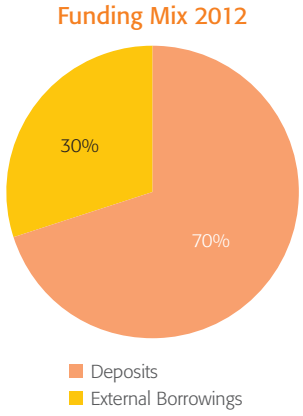
## Investment

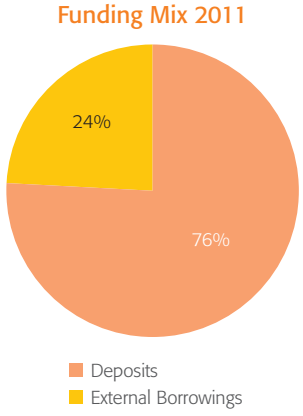
The significant growth in investments was a result of the Bank investing in government securities including treasury bonds with the prime objective of effective fund utilisation. The Bank also received LKR 60,000 million in bonds in settlement of exposure to SOEs. The Bank has more than doubled its investment to LKR 99,842 million in Held to maturity Government treasury bonds as compared to LKR 40,728 million in 2011.

## Liabilities

The Bank approached 2012 with a planned liquidity management mandate with the knowledge that domestic liquidity would be distressed and the cost of funding will increase. Accordingly the Bank began exploring alternative financing sources mainly concentrated on attracting international funds. While the major financing instrument to fund the asset base remains customer deposits representing 70% of the total funding base in 2012, a substantial portion of the asset base was also funded through external borrowings.

As the market deposit growth is not sufficient to support the credit growth, the Bank resorted to borrowings with longer tennor to fill the gap and minimise the liquidity gap. The total borrowing accordingly increased by




LKR 103,549 million (55%) to LKR 291,038 millions.

Debt funding penetrated into the asset growth by increasing its balance sheet share from 24% in 2011 to 30% in 2012. The main contributors to this are the international Dollar bond through which the Bank raised US Dollar 500 million in May 2012 and the Rupee Debenture issue in December 2012 through which LKR 6,000 million was raised. Our US Dollar bond story is written elsewhere in this discussion.

## Deposits

During the year deposit mobilisation in the banking industry was extremely competitive as the funding needs of the Banks increased. While being moderate in deposit mobilisation efforts in the first three quarters as a competitive strategy, the Bank then adopted a market retention strategy to retain market share. In the last quarter the Bank launched a special campaign namely "BOC Mega Wasi". The total rupee deposit grew by 16% while the foreign currency deposits also grew by 17%. Overall the Bank was able to secure customer deposits of LKR 693,440 million.

There has been a migration of deposits from current and savings accounts to term deposits with higher interest rates. Accordingly rupee demand deposit contracted by 9% while rupee time deposit increased by 34%. On the other hand the foreign currency demand deposit contracted by 24% while foreign currency time deposit increased by 33%. This resulted in increasing the cost of funds for creating additional pressure on margins.

Foreign currency borrowing increased mainly due to the US Dollar 500 million senior unsecured five year bond the Bank raised from the international market in May 2012 and other bilateral borrowings from international lenders. This was the first time a commercial bank in Sri Lanka was able to successfully raise such a large quantum of money from the international market. (refer to Our Bond Story)

Rupee borrowing was reduced as a result of the Rupee funds received by a swap of the Dollars raised through the US Dollar bond. In addition the Bank also issued LKR 6,000 million unsecured, subordinated, redeemable rupee debenture in December 2012. The debenture is listed on the Colombo Stock Exchange and was oversubscribed further consolidating investor confidence. This debenture qualifyies for tier II capital as well.

As a result of the loan book being substantially funded through debt, the loan to deposit ratio increased to 103% as compared to 94% in 2011. While the Bank is presently comfortable with this level of ratio, the Bank has laid down strategies to reduce the ratio in the medium to long term.

## Deposit Composition

| | LKR million | | |
|---|---|---|---|
| Deposits | 2012 | 2011 | Variance |
| **Local Currency** | **509,396** | **438,391** | **16%** |
| · Demand | 60,936 | 67,195 | (9)% |
| · Savings | 167,695 | 161,619 | 4% |
| · Time & other | 280,765 | 209,577 | 34% |
| **Foreign Currency** | **184,044** | **157,382** | **17%** |
| · Demand | 15,798 | 20,729 | (24)% |
| · Savings | 53,973 | 50,661 | 6% |
| · Time | 114,273 | 85,992 | 33% |
| **Total Deposits** | **693,440** | **595,773** | **16%** |

## Funding

Currency Breakdown of Borrowings

| | LKR million | | |
|---|---|---|---|
| Borrowings | 2012 | 2011 | Variance |
| Local Currency | 119,739 | 122,848 | -3% |
| Foreign Currency | 171,298 | 64,640 | 165% |
| **Total Borrowings** | **291,037** | **187,488** | **55%** |

| | 2012 | 2011 | Variance |
|---|---|---|---|
| Domestic banking unit | 21.80% | 23.36% | -1.56% |
| Off-shore banking unit | 24.95% | 24.39% | 0.56 |

## Liquidity

Compared to the previous year, the liquid assets ratio declined marginally due to aggressive credit expansion and the Bank's strategy on maintaining a prudent tradeoff between liquidity and earning assets. Liquidity was maintained at reasonably high level, above the required regulatory levels laid down by Central Bank of Sri Lanka which is 20%. The Bank calculates the liquid asset ratio on a monthly basis for its domestic liabilities as well as foreign currency liabilities.

## Capital Adequacy

In line with the increased profitability and increased borrowings, the Bank had a capital adequacy buffer of 11.39% as at the end of 2012 compared to 10.88% in the previous year which is well above the minimum 10% required by the Central Bank of Sri Lanka.

## OUR BOND STORY

**USD 500 million debut fundraising in the international market**

On April 26th 2012, the Bank of Ceylon successfully printed its debut international bond issuance. The USD 500 million senior unsecured notes issuance represents a key milestone for the Bank of Ceylon, providing access to an expanded global investor base.

- First international bond issuance by a Sri Lankan commercial bank
- Largest international bond issuance out of Sri Lanka after the sovereign bond issuance in 2011
- Debut international bond issuance by Bank of Ceylon the largest banking franchise in Sri Lanka

USD 500,000,000

BANK OF CEYLON

Bankers to the Nation

B1/BB-

(Moody's/Fitch)

144A/RegS
6.875% Senior Unsecured
Notes due 2017

Joint Lead Manager and
Joint Bookrunners

Bank of America Merrill Lynch

HSBC

citibank

## Summary Terms of the Offer

| | | |
|---|---|---|
| Issuer | : | Bank of Ceylon ("BoC") |
| Issuer Ratings | : | B1 (Stable) / BB- (Stable) Moody's/Fitch) |
| Issue Ratings | : | B1 / BB- (Moody's/Fitch) |
| Description | : | Senior Unsecured Notes due 2017 |
| Distribution | : | Rule 144A/ Regulations |
| Issue Size | : | USD 500,000,000 |
| Maturity | : | May 03, 2017 |
| Coupon | : | 6.875% |
| Issue Price | : | 100% of Face Amount |
| Yield to Maturity | : | 6.875% |
| Interest Payment Dates | : | May 3 and November 3 commencing November 3, 2012 |
| Change of Control | : | Putable at 10.1% of principle plus accrued interest |
| Denomination/Multiples | : | USD 200,000 and integral multiples of USD 1,000 in excess thereof |
| Settlement | : | T+5 |
| Use of Proceeds | : | Genaral Corporate Purpose |

The Bank conducted a highly effective international roadshow lead by a top team of the Bank's senior management team, which included the Chairman Gamini Wickremasinghe (retired on 08th January 2013), General Manager W A Nalani (retired on 03rd June 2012), Chief Financial Officer Asoka Rupasinghe, DGM (International & Treasury) P A Lionel and AGM (Treasury) S M S Jayasuriya. These roadshows were extensive resulting in meetings with over 40 key investor accounts in Asia, Europe and USA marketing the issue.

The roadshow highlighted the Bank of Ceylon as the market leader in the country's commercial banking industry commanding 23% of total banking assets and 21% of total deposits with loans and advances totaling 21% as a whole. It also emphasised that the Bank handles a 38% share of worker remittances to Sri Lanka and holds over 30% of the foreign currency deposits in commercial banks. The Bank's performance and strong franchise was well received by potential investors.

The roadshow paved the way for a very strong order book. Generating interest from high quality investors across the globe. The offering was oversubscribed by 7.7 times with total orders received amounting to USD 3.86 billion.

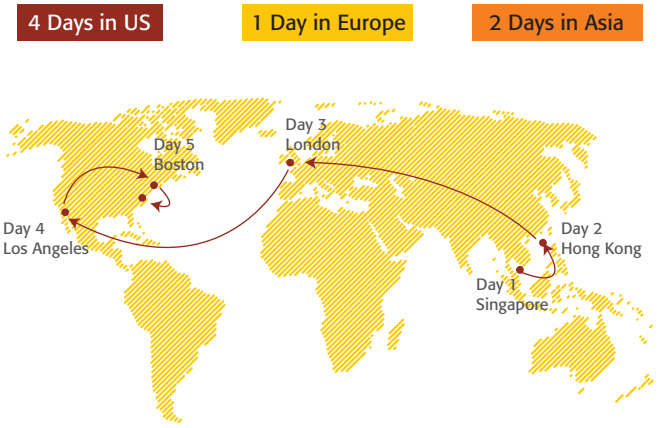
Initial pricing thoughts were released at around 7.125% and final pricing guidance was tightened to between 6.875% - 7.000%. The overwhelming demand helped the Bank price the notes at the lower end of the final pricing guidance at 6.875%.

In terms of allocation, quality accounts anchored the order book with Asset Managers representing 88% of the allocations, followed by Private Banks (9%) and Banks (3%). In terms of geography, the book was almost evenly distributed across Asia (30%), Europe (34%) and US (36%).

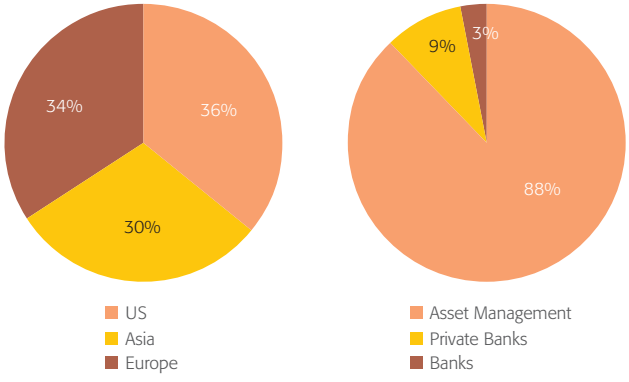
Joint lead managers and book runners for the issue were HSBC, Citibank, Bank of America and Merrill Lynch.

Analysts regarded this bond issue to be a landmark in the history of the Bank of Ceylon, long established as the country's leading commercial bank, as well as for Sri Lanka's banking industry. The net proceeds were used for general corporate purposes.

## Highly Effective Marketing Roadshow Spanning Asia, Europe and US




## Allocations & Distributions of Statistics



# Positive Press Commentary

China Merchants, K Wah, Bank of Ceylon raises USD1.2 billion

By Denise Wee, FinanceAsia I 27 April 2012

"…..Sri Lanka's Bank of Ceylon early this morning also landed a USD 500 million five year dollar bond…The issue is rated B1 by Moody's and BB-by Fitch. The deal was a test of investor appetite for more esoteric bank credits and the fact that it went ahead is an encouraging sign…"

Bank of Ceylon Prices Sri Lanka's First Corporate Bond Since 2004

By Natasha Brereton-Fukui, Dow Jones International News I 27 April 2012

"…Bank of Ceylon has priced a USD 500 million dollar bond-Sri Lanka's first non-sovereign debt offering since 2004-in the latest illustration of the country's financial progress since it exited a protracted civil war… The offering strengthened in initial trading and by afternoon in Asia was quoted at 100.75, for a yield of 6.7%...underscored the bonds scarcity value and its eligibility to enter the JP Morgan Emerging Markets Bond Index as factors in its favour…"

### More Sri Lanka Corporates Should Go For Bonds-cbank

By ShiharAneez, Reuters I 27 April 2012

"…Sri Lanka's central bank on Friday asked the island nation's corporates to raise funds through bonds, after state-owned Bank of Ceylon raised USD 500 million via a benchmark 5-year paper at a lower-than-expected price with high demand…The price is better than Sri Lanka's debut sovereign USD 500 million, five-year sovereign bond which was sold at 8.25 percent in 2007 and below a 7.4 percent yield, the price it got for a similar 2009 sovereign paper…"

### Bank of Ceylon raises USD 500 million Through Bonds

Sunday Times (Sri Lanka) I 29 April 2012

"…The Bank of Ceylon (BoC) has seen huge success with its USD 500 million, 5-year tenure bond-issue, drawing subscriptions totaling USD 3.86 billion, more than seven times the amount sought, official sources said… The BoC bond issue is the biggest by any Sri Lankan commercial bank..."

The success of this debut issuance has shown that the Bank continues to command investor confidence in the market both domestically and internationally.

# Business Line Overview

## Retail Banking

As of 31st December 2012, Bank of Ceylon is the largest retail bank in Sri Lanka, with approximately 10,576,000 retail accounts across a large branch and ATM network. The Bank's domestic branch network included 324 branches, 276 extension offices and 451 ATM's. Retail Banking offers a broad range of products and services to its retail customers, including SMEs. The Bank uses its wide branch network to cross-promote services provided by other divisions such as Product and Development Banking Division, Islamic Finance, Card Centre operations, as well as products provided by its subsidiaries, such as insurance and investment products.

Retail banking markets products such as Ran Surekum (pawning) loans, Kantha Ran Ginum (women's savings) deposit accounts and Ran Kakulu (children's savings) deposit accounts, which are tailored to address the needs of different customer segments. It also operates a premier center opened in 2011 and is now well positioned to serve customers holding deposits above LKR 10 million.

Product and Development Banking provides credit for development activities and focuses on micro-finance and selected priority areas, such as micro-farming loans, micro-enterprise loans, loans for fishing vessels, loans for coconut, rice and other selected crops etc.

The Islamic Banking Unit (IBU) was established in 2009 to serve the needs of consumers seeking Shari'ah-compliant finance products. The Bank is the first conventional commercial bank in Sri Lanka to offer Islamic finance products. such as Shari'ah compliant current accounts under the basis of "qard", savings under "Muadaraba" and "Atfal" (child's savings) and leases for vehicles and machinery under "Ijara". Trade finance facilities are offered under "Murabaha" and working capital or fund management services are provided under "Wakala bil Isthithmar".

The Bank Card Centre actively develops its credit and debit card products and ATM and point-of-service (POS) network. It currently has 120,000 credit cards and 2.4 million debit cards in circulation.

## OUR STRATEGY

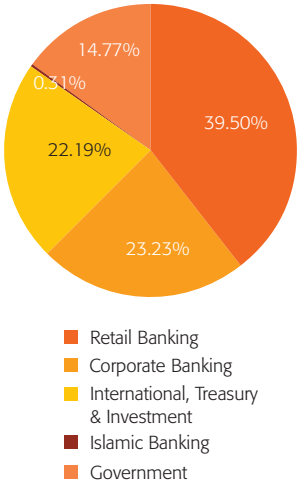
- Retail Banking to grow its Loan Book to LKR 350 billion by 2015
- To have the largest network in Sri Lanka by expanding network infrastructure as well as technologically upgrading the Bank's processes and customer delivery points to meet customer needs
- Development Banking to be an inclusive partner in delivering the national objectives of ensuring food security, sustainable agriculture and uplifting the livelihood and income levels of rural communities
- To achieve LKR 3 billion asset growth by 2012 and reduce reliance on external funding

## OUR FUTURE FOCUS

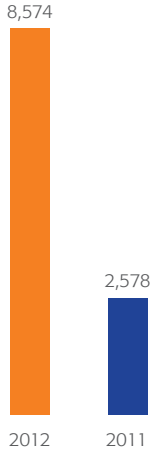
- Realign the loan to deposit ratio and grow deposits to one trillion by 2015
- Modernise the branch network to improve the customer experience
- Develop the SME and High networth segment penetrating into the provinces
- Continue the development banking drive Poverty Alleviation Micro-financing Project (PAMP) and expand SME sector
- Capture Islamic banking market share of 25% by 2015
- Be the leading debit/credit card provider
- Strengthen the distribution channels

# Highlights

### % of Operating Income

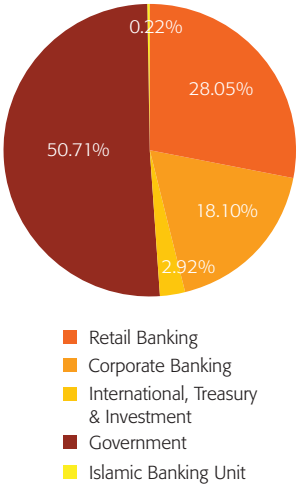



### Operating Income (LKR million)




### Total Assets (LKR million)

### % of Total Assets



## FINANCIAL SUMMARY – RETAIL BANKING

| | LKR million | | |
|---|---|---|---|
| | 2012 | 2011 | Change % |
| Interest | 36,156 | 22,272 | 62% |
| Fees and commissions | 2,204 | 1,837 | 20% |
| Other | 1,258 | 1,236 | 2% |
| **Total revenue** | **39,619** | **25,345** | **56%** |
| Interest expenses | (26,406) | (18,624) | 42% |
| Non interest expenses | (15,394) | (12,042) | 28% |
| Inter Segment Transaction | 10,992 | 8,048 | 37% |
| **Net Operating Income** | **8,811** | **2,728** | **223%** |
| **Total assets** | **278,954** | **252,889** | **10%** |
| **Total liabilities** | **447,488** | **403,930** | **11%** |

The Retail Banking Division contributes 28% to total assets, 35% to gross lending and 36% to the gross revenue of the Bank. It is the major deposit mobilising division of the Bank with 64% of total deposits. Retail Banking has continued to deliver on its strategic priorities and has exceeded its target is to build up the asset base to LKR 278,954 million an increase of 10% compared to last year. The amount of the Bank's retail banking loans and advances to customers was approximately LKR 250,196 million as of 31st December 2012, which constituted 35% of the Bank's total loans and advances to customers. The Bank provides loans to individuals directly through its branches and collaborates with various institutions and organisations to grant personal loans to doctors, engineers, dental surgeons, veterinary surgeons, nurses and armed forces personnel and professionals through its island-wide branch network.

A major portion of the growth has come from the provinces, reaping the benefit of inclusion strategies that the Bank adopted in line with the spreading of development away from the metropolis to the provinces. A large part of the growth has been from the Northern and Eastern Provinces where the Bank was the first bank to expand and provide banking services to the region post the end of the 30-year conflict. The Bank opened 11 branches on one day in the Northern and Eastern with the 1000th branch being opened in Puthukudiyiruppu (Northern Province) in July 2012.

Interest income has grown at three times the pace of the asset base. This is largely attributed to increased concentration on high yielding asset classes in the retail banking product range. Our innovative approach through the Leasing Fairs, where the end-to-end process from choosing the vehicle to driving away in the newly leased vehicle can be done within a day has proven to be a tremendous success. Interest expense has increased almost 42% while increase in total Deposits has only grown by 10%. This is largely due to increased borrowings as well as increase in interest rates and shift from current and Savings accounts to Term Deposits. The Bank have however maintained the net interest margin, which has increased from 27% last year to 36% in 2012.

"A large part of the growth has been from the North and East Provinces where the Bank was the first bank to expand and provide banking services to the region post the end of the 30-year conflict.

The Bank opened 11 branches on one day in the North and East with the 1000th branch being opened in Puthukudiyiruppu (Northern Province) in July 2012."

Retail banking is also the largest deposit mobilising unit within the Bank accounting for 64% of total deposits approximately at LKR 445,000 million. This is a modest growth of 14% compared to last year. The Bank took a policy decision to maintain and retain existing depositors and not to compete in the prevailing high interest market until the last quarter of the year.

Development Banking micro finance loans are provided largely to the agricultural and fisheries sector. The domestic regulation requires that 10.0% of the Bank's total loans and advances to customers be dedicated to the agricultural sector. As of 31st December 2011 and 2012, 17% and 16%, respectively, of the Bank's total loans and advances to customers were agricultural-related loans. The Bank's Development Banking activities are conducted with both internally generated funds and refinanced development lending. As of 31st December 2012, the Group had a total of LKR.1,487 million in borrowings from the Japan Bank for International Cooperation, an international development fund.

Bank of Ceylon encourages development through a range of development lending programme. For example, as of 31st December 2012, the Bank had made micro-finance loans totaling LKR 1,408 million among more than 17,010 groups across Sri Lanka. Each group that received a micro-finance loan comprised to eight members who were collectively responsible for the loan and who dedicated the funds to the development of small scale projects. In 2012, the Bank allocated LKR.1, 000 million for financing the manufacture and purchase of fishing boats, which was a great success. Request by the Ministry of Fisheries of Sri Lanka that the Bank introduce further programmes of this nature to develop the Sri Lankan fishery industry is an endorsement of the success of the programme.

# How we have performed

The Bank's development sector advances over the two years are summarised below.

| | LKR million | | |
|---|---|---|---|
| | 2012 | 2011 | Growth % |
| Agriculture | | | |
| Direct | 87,423 | 84,602 | 3.3% |
| Indirect | 1,200 | 1,200 | 0% |
| Total Agriculture | 88,623 | 85,802 | 3.3% |
| Small enterprises | 6,246 | 5,401 | 15.6% |
| Education | 534 | 473 | 12.9% |
| **Total** | **95,403** | **91,676** | **4.1%** |

The Islamic Banking Unit (IBU) increased its deposit base by 118% in 2012 compared to 2011. The deposit base was sufficient to fund the Sharia'h compliant loans and advances and were able to reduce our external reliance on funding. Currently, the unit's our market share is approximately 10%, generating an income growth of 59%. The funding portfolio in 2012 amounted to LKR 1,120 million. The IBU opened a pilot micro finance facility programme in Arugambay, which, proved to be a great success. In 2013, we intend opening 10 such facilities island wide.

The Bank's Card Centre as of 31 December 2012, had issued over 120,000 credit cards a 20% growth compared to 2011. As of 31st December 2012, the total outstanding balances on the Bank's credit cards was LKR 2,352 million compared to LKR 1,955 million as of 31st December 2011. The Bank has also issued more than 2.4 million debit cards as of 31st December 2012, compared to more than nine million retail banking accounts operated by the Bank, which provides the Bank with a basis for future growth of debit card services. There are over 2,000 merchants serviced by the Bank and cardholders can access more than 18,000 additional POS locations through the Bank's affiliated networks.

The non-performing loans in the retail banking business have seen a large increase of LKR 6,038 million year on year. This was mainly attributable to the loans in the provinces being affected by the floods and drought that persisted in some parts of the country.

We have managed these achievements while keeping control on costs. Our cost to income ratio has been steadily declining and continued to do so this year reaching 41.9% as compared to 50.3% last year. Main contributions have been increased productivity, introduction of more efficient processes and systems.

## BANKING SERVICES FOR SME CUSTOMERS

The Bank predominately provides banking services for SME customers within its Retail Banking Division. However, certain SME customers are serviced from the Corporate Banking Division on a case-by-case basis depending on the Bank's relationship with the customer. Trade finance services for SMEs are also provided by the Trade Services Unit, which operates in the Corporate Banking Division. In 2013, the Bank plans to establish 25 SME processing centres, which provides SME specialised back-office support, such as loan processing to the Bank's retail banking branches, advisory services and facilitation of other matters in SME lending. The SME processing centres will speed processing of SME loan proposals, develop a team skilled in SME banking to face current and future challenges, promote a regional-level supporting arm for the conceptual shift from mere SME credit to a fully pledged SME banking culture and development of SME entrepreneur skills. The Bank believes that this will expand SME banking expertise across the Bank's branch network and allow it to expand its SME customer base.

## OUR PRODUCT PORTFOLIO

### Deposit Services

The Bank offers current accounts, rupee savings accounts, foreign currency deposits and term deposit services to its retail banking customers.

- **Current accounts**

  Current accounts represent 36% of the overall demand deposit balance including demand accounts and non-interest-bearing demand deposits. These are accessible through personal cheques, SMS and internet banking.

- **Savings accounts**

  The retail savings represent 87% of the total saving deposits of the Bank which grew by 8% over 2011. The Bank offers interest-bearing savings accounts to the general public. The Bank has also introduced targeted savings account programmes to underserved demographics, such as children, women, migrant workers and farmers, to foster a habit of saving. The Bank designs such products to increase the penetration of banking services in Sri Lanka and promote economic growth which increases the Bank's deposit base and provides lower cost of funds. These accounts may include special benefits, such as debit cards, preferential interest rate, educational scholarships for school children or pre-qualification for insurance coverage. Towards the year end "BOC Mega WASI" was launched as a strategy to attract more savings and retain the existing saving accounts.

- **Term deposits**

  During the year term deposits of the retail segment which represent 60% of the Bank's total time deposits grew by 29% over 2011. The Bank also offers tenure-based deposits of a fixed amount over a fixed term that accrue interest at a fixed rate and may be withdrawn before maturity in accordance with applicable rates. During the year the Bank experienced a migration of savings to term deposits mainly due to customers taking advantage of the rising interest rates.

- **Foreign currency deposits**

  The Bank offers foreign currency savings deposits or fixed-rate deposits to non-resident Sri Lankans and resident Sri Lankans. Non-resident Sri Lankans who open foreign currency deposit accounts may automatically qualify for additional services, such as life insurance coverage and access to loan facilities. The Bank estimates that it has above 30% market share in this segment. Total Foreign currency deposits held at retail banking unit was was LKR 63,653 million which grew by 6% over 2011.

- **Personal Lending**

  The Bank's personal lending products and services include both fixed and variable lending products, term loans, overdraft facilities, housing loans, finance leasing schemes and other special loan programmes. Overall, the Bank has introduced over 100 specifically targeted and marketed loan programme for its retail customers.

- **Term loans**

  The Bank provides general term loans for a variety of purposes, including, among others, education loans, automotive loans, loans to the construction sector, SME loans, cultivation loans and loans to the commercial sector. Term loans are generally for a period between six months to 120 months. As of 31st December 2012, term loans constituted 25% of the retail banking loan portfolio of the Bank by total amounts outstanding which grew by 31%.

- **Overdraft facilities**

  These are revolving facility loans primarily for SMEs and sole proprietor businesses to manage the cash flow of their businesses. Overdrafts are provided for a period of one year and are subject to an annual review. As of 31st December 2012, overdraft outstanding constituted 9% of the retail banking loan portfolio of the Bank. Overdraft also increased by LKR 4,544 million compared to last year as a result of increased working capital needs of the growing retail segment.

- **Housing loans**

  The Bank is one of the leading providers of housing loans in Sri Lanka, both in terms of aggregate amount outstanding and new disbursements during 2012. As of 31st December 2012, housing loans constituted 9% of the retail banking loan portfolio. Housing loans are provided for the purpose of construction, purchase and repair of residences etc. In addition the Bank has also introduced, housing loan products for non-resident foreign currency customers, such as expatriate Sri Lankans.

- **Finance leasing schemes**

  Bank of Ceylon provides several finance leasing schemes under which the Bank advances funds to purchase plant and machinery, heavy equipment, office equipment, motor vehicles or equipment for professionals, on a lease-to-own basis. The tennor of these loans are generally between three to five years based on the depreciation schedule for the purchased equipment. As of 31st December 2012, finance leasing schemes constituted 6% or LKR 18,498 million of the retail banking loan portfolio of the Bank registering a year on year growth of 59%.

- **Other loan schemes**

  The Bank provides a variety of other loan schemes, such as short-term "pawning" loans on personal property, loans for travel expenses, and loans for self-employed individuals and government workers. As of 31st December 2012, pawning loans & other loan schemes accounted for 44% of the retail banking loan portfolio of Bank amounting to LKR 136,962 million. Pawning loans are short-term loans that are fully secured by pledged gold coins and jewelry. Pawning loans are primarily utilised by farmers and individuals in rural areas for agricultural purposes. The pawning and other loan schemes grew by LKR 21,522 million or 16%.

"The Bank is one of the leading providers of housing loans in Sri Lanka, both in terms of aggregate amount outstanding and new disbursements during 2012."

# Corporate and Offshore Banking

Corporate banking provides banking services to large corporate clients including government and semi-government institutions. A relationship manager is assigned to each corporate client who serves as a single point of contact for the customer's entire banking needs.

Products and Services include corporate lending, trade finance, cash management, investment services, project finance and working capital to corporate clients and Government institutions. It has three sub-units, including the corporate branch, the trade finance unit and the offshore banking department.

Corporate Banking primarily provides high volume wholesale banking services to corporate customers whose annual turnover is above LKR 600 million and whose exposure is above LKR 200 million, including many of Sri Lanka's largest public and private sectors corporations. The division is located at the Bank's headquarters in Colombo.

The trade finance services unit facilitates the licensed offshore banking department which is focused on export-based industries and manages customers who carry out transactions in foreign currencies, such as limited liability companies operated under BOI (Board of Investment of Sri Lanka) agreements or are registered outside Sri Lanka.

## OUR STRATEGY

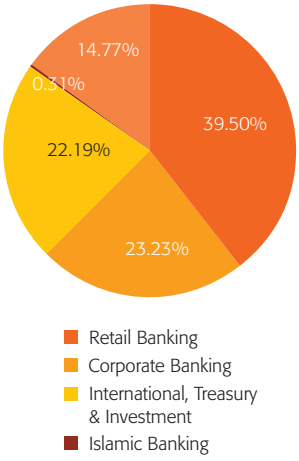
- To grow the loan book to LKR 360 billion by 2015 (Excluding Government)
- To maintain market leadership in import/export transaction banking.
- Focus on the Government's investments in infrastructure development.
- Introduction of IT based solutions such as customs duty for importers and exporters and inward remittances for offshore customers.

## OUR FUTURE FOCUS

- To improve the quality of service to delight customers by enhancing in house competencies.
- Attract more high volume projects by setting up a special project lending unit.
- Improve fee base income by canvassing for more trade finance business and by simplifying the processes of issuing of Letters of Guarantee and Letters of Credit.

# Highlights

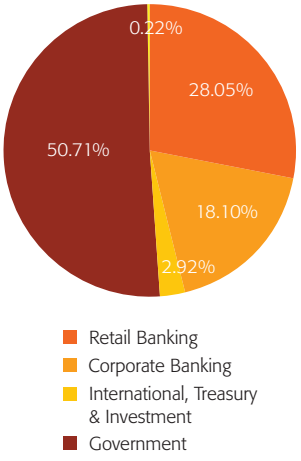
% of Operating Income




Operating Income (LKR million)

Total Assets (LKR million)

% of Total Assets




# How we have performed

## FINANCIAL SUMMARY – CORPORATE AND OFFSHORE BANKING

| | LKR million | | |
|---|---|---|---|
| | 2012 | 2011 | Change % |
| Interest | 16,486 | 8,754 | 88% |
| Fees and commissions | 1,546 | 896 | 72% |
| Other | 1,014 | 462 | 120% |
| **Total revenue** | **19,046** | **10,112** | **88%** |
| Interest expenses | (18,787) | (9,472) | 98% |
| Non interest expenses | (3,603) | (2,261) | 59% |
| Inter Segment Transaction | 8,339 | 3,609 | 131% |
| **Net Operating Income** | **4,995** | **1,988** | **151%** |
| **Total assets** | **178,567** | **127,166** | **40%** |
| **Total liabilities** | **369,172** | **210,944** | **75%** |

As at 31st December 2012 the total assets of the corporate banking division was LKR 178,567 million which accounted for 18.1% of the entire Bank's asset base. A major contributor to total asset growth was the growth in loans and advances of 34% from LKR 112,353 million in 2011, to LKR 150,117 million in 2012. The corporate banking division contributes 65% of the loans given to government sector.

The total revenue of the Corporate and Offshore Banking Division accounted for LKR 19,046 million, or 17.5%, of the Bank's total income for 2012. The Corporate and Offshore Banking Division together with its Government business (Government business is shown as a separate segment in the segment analysis note) is the largest contributor to the Bank's income. Interest income grew by 88% in the financial year 2012, which could be attributed to the similar growth in the loans and advances. Of the total interest income, corporate banking contributed 17% (i.e. LKR 16,486 million).

Corporate customers have deposited LKR 171,392 million with the Bank, accounting for 25% of the Bank's total deposits, as of 31st December 2012. Interest expenses almost doubled due to high interest rates, and a shift from current and savings accounts to more fixed and term deposits.

Currently working capital financing accounts for more than 50% of the Bank's loans and advances to corporate customers. The Bank expects that there will be a shift in the maturity profile of its corporate loans from 2013 towards longer term maturities due to the Bank's greater involvement in financing infrastructure, tourism, manufacturing construction and renewable energy projects.

In the second half of 2012 the Bank approved some major long term facilities:

- Approximately LKR 21.5 billion was approved for road infrastructure projects to develop and build 270 km of new roads across Sri Lanka. These facilities were provided to the Road Development Authority of Sri Lanka against general treasury guarantees issued by the Government. Disbursement of the loans under these facilities took place over a period of two and a half years from the date of establishment of the facilities and the repayment period will be medium to long term. The loan amount disbursed under these facilities in 2013 is LKR 14,000 million;
- The Bank has also approved facilities of approximately LKR 13,000 million related to projects in the tourism sector proposing to add an additional 1,500 room capacity, of which approximately LKR 8,000 million is expected to be disbursed in 2013. The repayment period of these loans will be eight to ten years; and
- The Bank also expects to disburse approximately LKR 2,500 million loan term loans in 2013 related to a diversified mix of projects involving the manufacturing, healthcare, finance, renewable energy and construction sectors.

The slump in trade finance is as a result of reduction in imports and exports. With the subdued growth in the global economy, Sri Lanka too faced its own share of problems. Our main apparel exports fell due to declining external demand and our rubber exports declined causing a downward trend in the export market. The imports too, fell at a much faster pace than exports as a result of the Central Bank imposing various fiscal measures that had adverse effects.

Bank services fees and commissions increased to LKR 1,546 million in 2012 an increase of 72% despite reduced contributions from trade finance related activities.

Non-performing assets amounted to LKR 7,796 million in 2012 compared to LKR 6,493 million in 2011 an increase of 20% (including Government loans). The major contribution was from our Malé operations where a few loans went into distress as a result of tourism revenue being affected due to the adverse political situation that prevailed in the Maldives.

"Approximately LKR 21.5 billion was approved for road infrastructure projects to develop and build 270 km of new roads across Sri Lanka."

## PRODUCT PORTFOLIO

### Corporate Banking

The corporate banking segment provides a wide range of loans and advances to corporate customers, including long-and short-term loans, revolving overdraft credit lines and pre-and post-shipment facilities for imports and exports, money market loans, project loans including syndications, letters of credit, guarantees and bonds. The corporate banking segment has a diversified loan portfolio covering all sectors in the economy. Advances to corporate customers include both secured and unsecured loan products, depending on the credit risks associated with customers and their businesses. The Bank's corporate loan interest rates are determined with reference to AWPLR or LIBOR based on the currency involved. Interest spread and premiums charged to corporate customers are based on the total

benefits to the Bank from the package of facilities approved to the customers and the ratings assigned.

Each corporate customer is assigned a dedicated relationship manager/officer, who serves as the point of contact for the customer's relationship with the Bank and for that entire customer's banking needs. Working capital financing forms a major part of financing, including cash credits, working capital demand loans and overdraft facilities. These loans are funded facilities, usually secured by current assets such as cash deposits, inventories and receivables. Working capital facilities are generally advanced for a period of one year, and reviewed and renewed, as appropriate, at the end of one year. In all cases, facilities are subject to an annual review. Interest is collected on a monthly basis based on daily outstanding amounts.

Corporate deposit products include demand deposits, fixed deposits and seven-day call deposits. Corporate customers generally do not maintain large deposits for long periods as they reinvest their funds to reduce the cost of borrowings.

### Trade Services

The Bank's trade services unit applies an integrated approach to manage trade finance customers, providing end-to-end trade solutions under a one-stop service concept. These trade services include establishing and advising LCs, providing pre-shipment and post-shipment documentary facilities and obtaining status reports of buyers. The Trade Services Unit provides services to both corporate clients and SME clients and their other banking activities are managed under the Retail Banking Division. The Trade Services Unit is based at the Bank's headquarters. The Bank implemented plans to roll out trade finance services to a larger customer base including SMEs in 2012 through its local branch network and SME centres.

Trade finance services are available in 45 branches with an additional 11 branches expected to be able to deliver such services by first quarter of 2013, and over 400 branch staff have been trained by the Bank to provide such services at the branches.

Due to the successful services provided by the Trade Services Unit, the Bank was recognised as the best Sri Lankan Trade Bank in 2010 by Trade Finance Magazine. In 2011, the Bank's Trade Services Unit received an ISO 9001 2008 certification in quality management systems awarded by the Sri Lankan Standards Institute. The certification is valid until 2014, subject to annual audit and review.

### Offshore Banking

The Bank's Offshore Banking Department primarily provides services to offshore companies and Sri Lankan corporate and SME customers engaged in export-based activities and services under approvals and licenses granted by the Board of Investment of Sri Lanka. The Offshore Banking Department provides foreign currency banking services, such as loans, deposits and all other services that are provided at the Head Office.

The Bank accommodates all the financial requirements of exporters including imports for re-export after domestic value addition. Facilities provided include pre-shipment and post shipment facilities, short-term working capital facilities, project loans, syndication and others.

The Offshore Banking Department focuses on clients who deal in foreign currency transactions. The major sectors to which the Bank has extended facilities include apparel and textile, shipbuilding and repairs, bunkering, tourism, manufacturing and power generation industries.

> "The Bank has also approved facilities of approximately LKR 13, 000 million related to projects in the tourism sector proposing to add an additional 1,500 room capacity, of which approximately LKR 8,000 million is expected to be disbursed in 2013."

# Treasury and International Banking Division (TID)

The Bank's Treasury and International Banking Division is divided into three units: Treasury Department the International Department and Overseas Branches Department.

The Treasury Department handles treasury operations, such as asset and liability management, liquidity management, interest rate risk management, foreign currency and money market dealing. In addition, the Treasury Department engages in the trading of Government securities and secondary market activities. This Department also offers its customers risk hedging derivative instruments such as forward contracts, interest rate swaps, currency swaps and foreign currency options as well as fund management.

The International Department handles the Bank's remittance business and correspondent banking relationships around the world.

Overseas Branches Department manages and operates the Bank's overseas branch network, including its UK subsidiary.

The TID contributes 2.92% to the total assets and 8.99% to the gross income of the Bank.

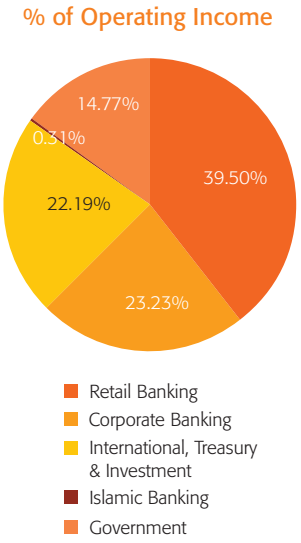
## OUR STRATEGY

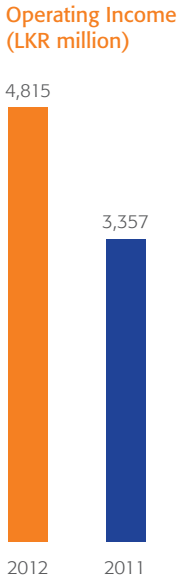
- Proactive management of the Bank's Balance Sheet adjusting the asset and liability mix in response to market changes.
- Explore into the financial instruments market to further diversify the Bank's funding base.
- Manage the treasury risk through enhanced surveillance technology.
- To optimize risk adjusted return in accordance with market trends.

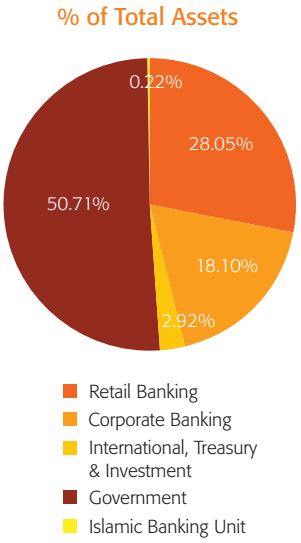
## OUR FUTURE FOCUS

- To expand the funding mix of the bank while actively managing cost of funds.
- Automate the entire inward remittances business with the state of the art technology.
- Expand into the overseas market to further consolidate our position to establish sustainable foreign currency flows into the country as well to the Bank.
- Offer more diversified treasury products and services with innovative instruments.
- Further strengthen the funding base through long to medium term funding.
- Improve the asset quality of the overseas locations while expanding the asset base.

# Highlights






| | LKR million | | |
|---|---|---|---|
| | 2012 | 2011 | Change |
| Interest | 2,750 | 3,629 | (24.2)% |
| Fees and commissions | 643 | 646 | (0.5)% |
| Other | 6,396 | 1,476 | 333.2% |
| **Total revenue** | **9,789** | **5,751** | **70.2%** |
| Interest expenses | (10,906) | (5,562) | 96.1% |
| Non interest expenses | (3,504) | (1,171) | 199.2% |
| Inter Segment transactions | 9,436 | 4,339 | 117.5% |
| **Net Operating Income** | **4,815** | **3,357** | **43.5%** |
| **Total assets** | **28,764** | **32,546** | **(11.6)%** |
| **Total liabilities** | **43,267** | **18,535** | **133.4%** |

TID recorded an operating profit increase of 43.5% largely on the back of increased foreign exchange income, which doubled in 2012 from its levels in 2011. In a volatile foreign exchange environment, in which the Bank witnessed a major fluctuation of the rupee in early 2012, the trading activity as well as spreads increased contributing to the increase in exchange income. In addition the Bank also swapped a part of its USD bond issue into Rupees which also contributed to the foreign exchange gain. Fee income remained stable while the division's assets reduced by 11.6% due to reclassification of assets in to higher yielding products.

## Treasury department

Treasury recorded an operating profit increase of 95% largely as a result of increased foreign exchange income, which doubled in 2012 from its levels in 2011. In a volatile foreign exchange environment that witnessed a major devaluation of the rupee in early 2012 the trading activity as well as spreads

increased contributing to the increase in exchange income.

This department contributes 1.4% or LKR 13,812 million to the Bank's assets and 6.8% or LKR 7,734 million to the Bank's revenue. The assets of the department decreased by 32%. The activities of the Bank's Treasury Department are guided by treasury policy, liquidity policy, asset and liquidity management policy and investment and risk management policies. The Treasury department conducts the Bank's Assets and Liabilities Management (ALM) programme which include pricing of the Bank's assets and liabilities, management of the Bank's interest rate risk and preparing the maturity profile of the Bank's assets and liabilities mix. The treasury department manages the Bank's foreign currency borrowings, such as foreign currency bonds, bi-lateral and syndicated loans.

The year 2012 was a full of challenges as the economic fundamentals were not in favour of interest rates, exchange rates and domestic liquidity. The Bank having foreseen the stressful environment at an early stage created a funding plan to ease the domestic pressure on the interest rates and exchange rates. We scaled down domestic fund mobilising during 2012 and worked towards alternative external sourcing. As a result we embarked on the debut international bond which was a great success (Please refer to our Bond story box for details). The leverage we gained from changing our funding mix enabled us to influence both the domestic interest rates and exchange rates to maintain their stability.

## FUNDING & LIQUIDITY

The Banks liquidity position remained healthy while managing the expansion of the total assets of the Bank. The Bank maintained its liquidity ratio above the regulatory norm of 20% for both its domestic and foreign currency liabilities. As of 31st December 2012 the liquid asset ratio was 22% for domestic and 25% for offshore.

A significant portion of the Banks funding base comprises customer deposits which remain at 70% of the total funding mix. In line with the Bank's strategy the funding was further consolidated in 2012 by two major fund raising programme to help manage the tenor mismatch inherent in the funding and loans mix of the Bank.

The growth of the balance sheet of LKR 209,947 million was funded 47% (LKR 97,667 million) by deposits, 30% by the US Dollar Bond (LKR 63,907 million or USD 500 million), 20% or LKR 42,750 million by other foreign borrowings. The rest is funded by the retained earnings and other liabilities. The Bank also swapped a part of the USD bond (USD 250 Million) proceeds into rupee in order to manage the Rupee liquidity.

The Bank launched a five year debenture in December and raised LKR 6,000 millions to meet the rupee liquidity and rupee funding mismatch. The debenture was well received by the local market with an over-subscription.

> "We brought USD 790 million into the country's much needed international money, of which USD 500 million through a bond and rest through syndications and bi-lateral arrangements..."

### International operations

The Bank's overseas operations accounted for 2.2% of the Group's income in 2012 and 1.5% of the Groups' total assets as of 31st December 2012.

### Inward remittances

There are two types of inward remittances to Sri Lanka namely remittances from Sri Lankan nationals employed abroad mainly in the Middle East, Europe & South Korea and commercial remittances from companies abroad. The Bank has deployed 23 representatives abroad to assist Sri Lankan migrant employees with their remittance transactions. The Bank is a participant in global remittance networks such as MoneyGram, X-press

Money, Coinstar, Quick Pay and Ez Remit remittance systems, who are operating agents throughout the world. The Bank also maintains a proprietary web-based fund transfer system called BOC e-Cash to facilitate remittances. The Bank's large number of correspondent relationships with international banking institutions and its wide network of domestic branches allow it to provide efficient services to its remittance customers. Corporate remittances are processed primarily through the Bank's bilateral correspondent bank relationships or interbank transfer systems, such as SWIFT. Special emphasis was drawn to the inward remittances market as it forms a sound US Dollar flow to Bank's customer deposit base. Several trade promotions initiatives were launched both locally and in overseas market. A NRFC promotion draw was launched and
LKR 18.5 million was awarded as winnings to customers and
LKR 2.5 million was allocated on NRFC customer's children scholarship and education programmes.

Total inward remittances handled by the Bank amounted to LKR 283,260 million through 1.8 million remittances representing market share of 38%. This is a growth of 15% over the last year and mainly the growth is from GCC, Far East Asia, North America, European Union and South Asia.

## Correspondence banking

The Bank maintains relationships with more than 859 banks/exchange houses in over 118 countries. The major change in the network during the year was that the Bank discontinued the relationship with the Iranian Banks consequent to the United Nations embargos.

## Overseas branch operations

As of 31st December 2012, the Bank had two overseas branches in Chennai, India and Malé, Maldives, as well as a wholly-owned foreign subsidiary in London, United Kingdom. These branches and the subsidiary provide deposit accounts, remittance services, trade finance facilities, treasury products loan syndication and advisory services. In addition, the Chennai and Maldives branches provide facilities under the Asian Clearing Union mechanism to other commercial banks in the Asian Clearing Union.

The Chennai branch grew its loans and advances by 24%, to LKR 2,159 million, while the Malé branch's loans grew by 18% to LKR 7,365 million.

> "We managed 38%of the total inward remittances into the year 2012."

# Other Businesses

## DISTRIBUTION NETWORK

The Bank distributes its products and services through various access points ranging from traditional bank branches to ATMs, mobile devices and the Internet.

## BRANCH NETWORK

The Bank has a large branch network in Sri Lanka. As of 31st December 2012, the Bank had a network of 324 branches (including one premier banking centre), 276 extension offices and 10 SME centres in Sri Lanka, as well as a subsidiary in London and an overseas branch in each of Chennai, India and Malé, Maldives. The Bank's 322 domestic branches are full service branches that offer the full range of the Bank's products and services and include 6 branches which specialise in offering services to corporate customers. The 276 extension offices specialise in deposit services and the premier banking centre specialises in services for high net worth customers in the city centre of Colombo.

In the last three years, the Bank has significantly expanded its branch network. It opened 27 new branches and extension offices in 2010, 40 new branches and extension offices in 2011 and 34 new branches and extension offices in 2012. In 2013, the Bank plans to establish 15 new branches in accordance with the directions issued by the Central Bank of Sri Lanka.

The Bank is also a pioneer in ATM banking, as it first introduced the ATM to Sri Lanka in 1988. As of 31 December 2012, the Bank had a domestic network of 451 ATMs and an additional 2,326 ATMs through an ATM network sharing arrangement in Sri Lanka. In 2012, a consortium of Sri Lankan banks, including Bank of Ceylon, to joined a common ATM "switch", which would create a network to allow customers of any Sri Lankan bank to use any ATM within Sri Lanka. This will reduce the charges per transaction for customers, which would help popularise debit cards. The Bank installed 23 ATMs in 2010, 52 ATMs in 2011 and 47 ATMs in 2012. The Bank plans to install 70 ATMs in 2013.

## MOBILE BANKING SERVICES

The Bank's mobile banking service, "PayMate", offers low cost banking services at any time to customers through their mobile phones, with an aim to maximise convenience and security. The Bank believes that its mobile banking service has the potential to improve customer retention and reinforce the Bank's brand recognition by offering easy and convenient ways for customers. This service is available in connection with accounts at all of the Bank's branches. As of 31st December 2012, more than 18,600 customers were registered for mobile banking services. Depending on the mode of access, available facilities include account balance enquiries, mini statements, cheque book requests, trading account enquiries, fund transfer within the Bank, person-to person fund transfers, mobile credit top-ups, bill payments and payments of life insurance premiums. In the future, the Bank aims to equip mobile banking with additional features such as intra bank fund transfers. The Bank offers mobile banking services to increase customer convenience.

> "The Bank provides internet banking services to its personal customers through its "BoC e-Bank" service, and to its corporate customers through both its "BoC i-Net" and "BoC e-Bank" services."

## INTERNET BANKING

The Bank provides internet banking services to its personal customers through its "BoC e-Bank" service, and to its corporate customers through both its "BoC i-Net" and "BoC e-Bank" services. As of 31st December 2012, approximately 20,300 customers in the retail banking segment and approximately 1,750 customers in the corporate banking segment were registered for internet banking.

The Bank's internet banking solution is a comprehensive product for both retail and corporate use.

The Bank's customers can check account balances, request cheque books, bank drafts and bankers' cheques, issue standing instructions, invest and renew term deposits, open new accounts, donate to religious organisations and pay income taxes online. Customers can make inter branch transfers of funds to their other accounts and also to third-party accounts. Customers can also pay utility bills, insurance premiums and credit card balances.

## INFORMATION TECHNOLOGY

The Bank dedicates significant resources to maintaining a technological base that is both reliable and efficient. In 2011 and 2012, the Bank invested LKR 285.8 million and LKR 369.5 million, respectively, to upgrade the Bank's network infrastructure, core banking system and the disaster recovery infrastructure, so as to provide the Bank with the required technological platform to expand its operations.

In addition, the Bank invested in upgrading its MasterCard Global Clearing Management Software to conform to international standards. The Bank also upgraded the system used to process payments of non-Bank credit cards. In addition, the Bank invested continued to invest in to enabling the processing of RFID-chip enabled cards at points of sale serviced by the Bank. The first step was to introduce the technology to enable foreigners to make transactions through RFID-chip cards in a secure manner. The Bank plans to introduce RFID-enabled chips to local customers in the future.

The mobile banking solution "PayMate" was also upgraded to handle micro-payments. PayMate was fully integrated to the Bank's core banking system and enhanced to provide comprehensive and continuous service to customers.

The Bank continued its information technology development projects, including upgrades to its treasury system and the early stages of implementation of a new asset-liability management system, anti-money laundering system, risk management system, Islamic banking system, pension fund management system and lease financing system.

The Bank uses a disaster recovery system as part of its business contingency recovery plan. This system allows the Bank to mirror and replicate all critical operations and resume business during disaster situations. During the year periodic on site testings were conducted to ensure the readiness for recovery in a disaster. The Bank maintains a backup ATM switch in its disaster recovery centre which will enable uninterrupted ATM use when the primary computer centre is inaccessible or inoperable. In addition, the Bank uses an online disk replication system between the Bank's corporate headquarters and the Bank's business recovery data centre, thereby minimising data loss during disaster scenarios, resulting in the capability to be online within three hours after a disaster for all of the Bank's critical applications. Aside from the online disk replication system, the Bank uses a virtual tape system to replace slower conventional tape-based backup mechanisms.

As a part of further enhancement all board papers for board meetings are now in electronic form where members of the Board access through iPads and no papers are used in Board procedures.

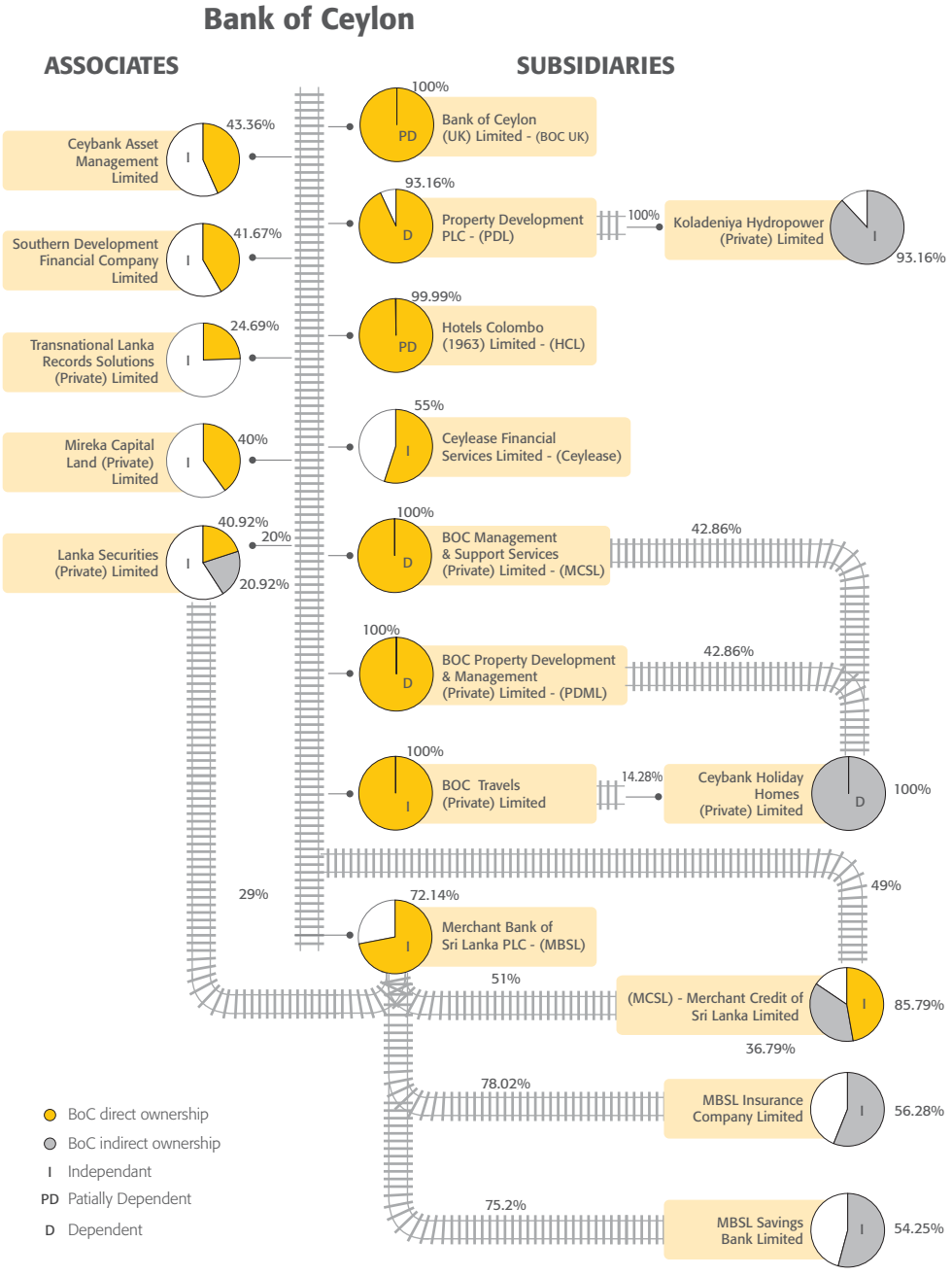
> "The Bank's customers can check account balances, request cheque books, bank drafts and bankers' cheques, issue standing instructions, invest and renew term deposits, open new accounts, donate to religious organisations and pay income taxes online."

The next stage is to automate all management committee meetings such as "ALCO" and credit review meetings.

In 2012 branch teller front end system was upgraded with the latest features which enhances the speed & productivity of the teller services.

# Subsidiaries and Associates

The Bank of Ceylon Group comprises the parent Bank of Ceylon, 13 subsidiaries and five associate companies. The group structure and their dependency to the parent are shown below :



As of 31st December 2012 the subsidiaries and associates together contribute 3% of assets and 5% of income to the Bank of Ceylon Group. Except for four companies Bank of Ceylon (UK) Limited and MBSL Savings Bank Limited (Subsidiaries), Southern Development Bank and Lanka Securities (Private) Limited (Associates) all the other subsidiaries and associate companies were profitable investments. Most of the profitable investments declared dividends which collectively amounted to LKR 357 million.

Annual Progress - 2012 LKR million

| | MBSL | PDL | MCSL | Ceylease | PDML | BOC Travel | HCL | HHL | MSS | BOC UK | MBSL Insurance | Koladeniya Hidro | MBSL Savings |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Total Revenue | 1,863 | 655 | 1,268 | 318 | 207 | 155 | 311 | 95 | 1 | 378 | 1,056 | 61 | 344 |
| Profit before Tax | 212 | 443 | 152 | 16 | 86 | 48 | 53 | 0 | 1 | (63) | 12 | 33 | (138) |
| Shareholder Value | 2,754 | 2,882 | 666 | 228 | 1,321 | 124 | 215 | 4 | 8 | 2,955 | 401 | 247 | 101 |
| Investment Value | 2,123 | 740 | 22 | 110 | 1,010 | 3 | 101 | - | 1 | 2,684 | - | - | - |
| Dividend | 122 | 154 | 10 | 6 | 10 | 5 | 20 | - | 0.5 | - | - | - | - |
| Revenue Growth* | 34% | 5% | 33% | 17% | 8% | 17% | 11% | 17% | 14% | 16% | 69% | 100% | -6% |
| Profit Growth* | -50% | 5% | 20% | 226% | 10% | 76% | 27% | -89% | 15% | 10% | 67% | 2457% | -109% |
| Assets Growth * | 21% | -3% | 18% | 5% | 5% | 31% | 33% | 31% | 0% | 33% | 33% | 17% | -3% |
| S' holder value Growth * | -2% | -4% | 20% | 1% | 1% | 45% | 48% | -1% | 5% | 44% | 6% | 9688% | -16% |
| Holding % | 72.14 | 93.16 | 85.79 | 55.00 | 100.00 | 100.00 | 99.99 | 100.00 | 100.00 | 100.00 | 56.28 | 93.16 | 54.25 |
| Yeild** | 4% | 5% | 2% | 3% | 1% | 5% | 11% | 0% | 6% | 0% | 0% | 0% | 0% |

* Growth over 31st December 2011

** Dividend/Share holder value

# The Signals Say Go

Despite the challenges that faced the economy and the banking sector in 2012, Bank of Ceylon remains on track towards its goal of becoming the country's premier state bank.

# Risk Management

Risk exists in all aspects of business and the environment in which the Bank operates. The Bank's collective risk management capability and competency supports successful implementation of strategic priorities and enables the development of a sustainable and resilient business that is responsive to the ever-changing environment.
In the year 2012, the Bank achieved a significant growth in business ensuring risks were assumed in a considered manner within the risk appetite framework.

## GOVERNANCE STRUCTURE

Risk management governance structure of the Bank begins with oversight by the Board of Directors. The Board has established the overall risk management framework, which sets strategic direction through policies and procedures for identification, assessment, monitoring, reporting and mitigation of risks. The Integrated Risk Management Committee (IRMC) assists the Board in discharging its duties on risk management.

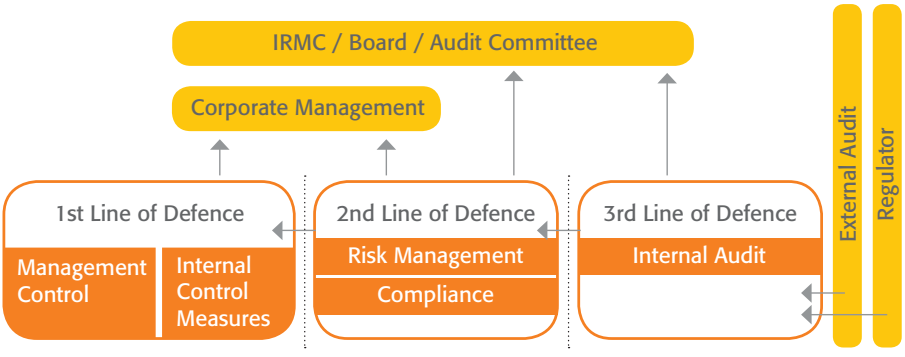
The risk governance of the Bank is based on three lines of defense calling for accountability, responsibility, transparency and independent reporting.

### Integrated Risk Management Committee (IRMC)

Primary purpose of the IRMC is to assist the Board in fulfilling their oversight responsibilities with respect to the operation and effectiveness of risk management and compliance functions. This committee is appointed by the Board of Directors and includes Board Members, the General Manager and the Chief Risk Officer.

The IRMC discharges the following duties :

- Oversight of the risk profile and risk management of the business within the context of the Board determined risk appetite.
- Making recommendations to the Board concerning the risk appetite and particular risks or risk management practices.
- Reviewing strategic plans for mitigation of the material risks faced by the Bank.
- Oversight of the implementation and review of risk management and internal compliance and control systems.
- Promoting awareness of a risk based culture and achievement of a balance between risk and reward.



At the executive level, risk is overseen by the Chief Risk Officer (CRO), with the assistance of several management committees such as Credit Committee, Asset-Liability Committee (ALCO), Operational Risk Management Executive Committee (ORMEC), IT Steering Committee, Business Continuity Management Steering Committee, Investment Committee, Forged Cheques and Frauds Committee, Foreclosed Property Committee and the Non-Performing Advances Monitoring Committee, which are involved in managing various risks that the Bank is exposed to.

Independent Integrated Risk Management Division (IIRMD) is headed by the CRO, functions as a separate department, independent from the revenue generating Strategic Business Units (SBUs) to provide management focus on specific risk issues prevalent within the business and implement the international best practices & the regulatory guidelines. The Bank is in the process of initiating actions to comply with Advance approaches in risk management.

## CREDIT RISK

Credit risk arises from the potential that an obligor is either unwilling to perform on an obligation or its ability to perform such obligation is impaired resulting in an economic loss to the bank. The Bank's credit risk that incurs mainly from lending operations and investment activities, accounts for over 80% of the total risk weighted assets. Hence it has been identified that effective management of credit risk is an essential component of the risk management process and critical to the long-term success of the Bank.

The goal of the Bank's credit risk management is to maximize risk-adjusted rate of return by maintaining credit risk exposures within acceptable parameters.

Overall responsibility of credit risk management lies with the Board and Board approved credit risk management policies and procedures are in place for managing credit risk at both the individual credit and portfolio levels.

The Credit Committee has been delegated with the responsibility for oversight of credit risk. The committee generally meets once a week. However, more frequent meetings may occur to respond timely to potential risk related issues. The Credit Committee:-

- Formulates, reviews and revises policies and procedures relating to credit facilities, whilst ensuring compliance with statutory and regulatory requirements.
- Approves extension of credits up to its delegated authority limits or makes appropriate recommendations to the Board of Directors.
- Reviews the credit limits from time to time with a view to monitor & ensure maintenance of credit and service quality.
- Monitors, reviews and renews portfolio exposures & concentration risk and remedial actions in respect of Non Performing Advances.

Bank has established specific credit criteria to define the types and characteristics of its preferred obligors. These criteria would include business track record vis-à-vis industry peers, key financial indicators, target obligor risk grade (where available) and terms and conditions under which the Bank is prepared to extend credit.

Setting of exposure limits for single obligors, groups of related obligors, industries and geographic regions has established through Bank's risk appetite limits.

The Bank has a well-established process for approving new credits and for the renewal of existing credits, which encompasses the following elements.

A system for monitoring the condition of individual credits is in place and potential problem credits are identified and reported to the relevant authorities as and when required.

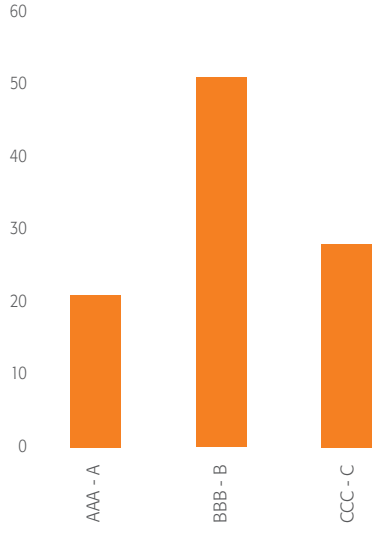
The Bank performs regular credit reviews to verify that credits are granted in accordance with Bank's credit policies and to provide an independent judgment of asset quality.
A comprehensive review is carried out at least annually and more frequent updates are carried out for "watch list" exposures. Bank's risk management policy describes administration of "watch list" credits in detail.

All credit exposures are properly and promptly graded to reflect Bank's assessment of the borrower's credit strength. The Bank uses a criteria for grading which is sound and consistent with regulatory guidelines.

An internal risk rating system assigns a credit risk rating to borrowers which reflects their risk profile and likelihood of loss. Also it enables to have a clear understanding of the overall risk profile of the Bank's credit portfolio.

The internal risk rating system developed by IIRMD is used to evaluate risk profile of corporate borrowers and it categorizes all credits into various risk grades. The distribution of borrowers across the risk grades is summarized below:

Rating-wise Distribution of Borrowers (%)




Risk ratings are assigned at the inception of lending and updated at least annually. However, Bank reviews ratings as and when adverse events occur.

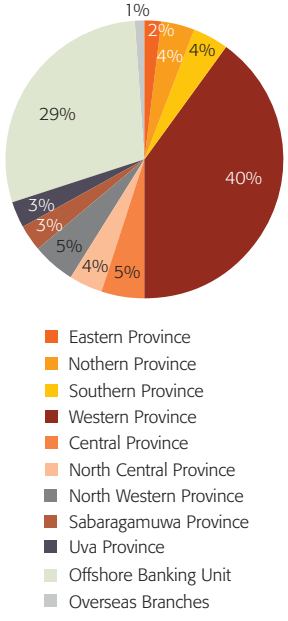
IIRMD has developed credit scoring models used in consumer lending to deliver cost effective, efficient service to retail customers.

## Concentration Risk

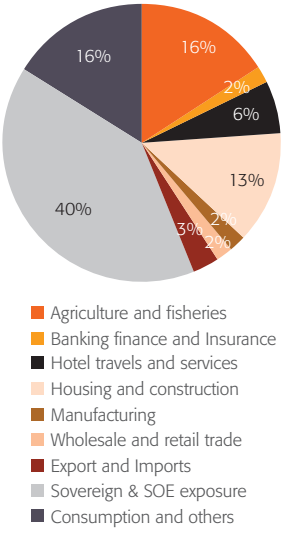
The Bank monitors credit risk on a portfolio basis to manage concentration risk. Concentration risk in credit portfolios arises due to uneven distribution of loans and advances to individual borrowers (single / name concentration) or to industries and geographical regions (sector concentration).

The Bank's loan portfolio is diversified across different industries and geographical regions.

### Geographical concentration




### Industry concentration

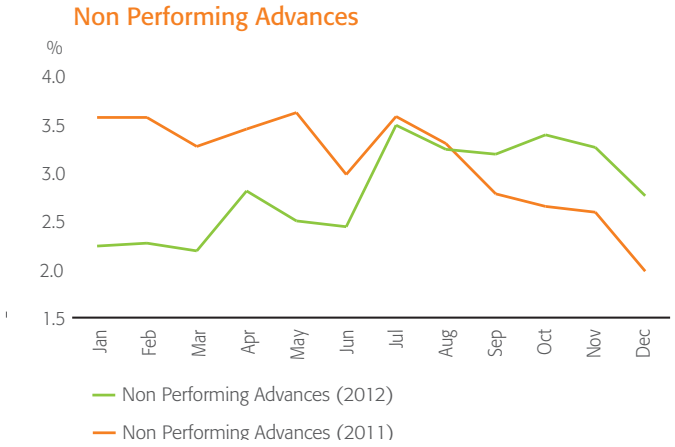



The significant concentration of the two illustrations is mainly due to exposure to the government and state owned enterprises.

The Bank has established appropriate limits to maintain concentration risk at an acceptable level and significant concentrations are reported to the Board and senior management for review.

## Asset Quality

Despite the adverse weather conditions, slow economic growth and increase in interest rates, the Bank managed to contain NPA level within the risk appetite of the Bank.




## Risk Based Pricing

The risk based pricing methodology adopted by the bank places the necessary emphasis on the relationship between risk and return. This would discipline and promote consistency in asset pricing and avoid a disproportionate share of under-priced risks.

*Further information on credit risk management and measurement is included in Note 59 to the Financial Statements.*

## MARKET RISK

Market risk is the exposure to an adverse change in the market value of Bank's positions in financial instruments caused by changes in market variables. Bank maintains positions in foreign exchange, equity, debt securities and very minute positions in gold. The main sources of risk are foreign exchange rates, equity prices, interest rates and commodity prices.

Market Risk Management is an independent function that works in close partnership with the business segments to identify and monitor market risks throughout the Bank and to define market risk policies and procedures. The Bank manages the risk in its trading and non-trading portfolios through a comprehensive market risk management framework which includes market limits, risk appetite limits, value-at-risk (VaR) limits, stress testing and sensitivity analysis.

The Bank's market risk management objectives are to:

- Ensure the Bank optimizes the risk-reward relationship while not exposing the Bank to unacceptable losses outside of its risk appetite
- Facilitate efficient risk-reward decision making
- Reduce volatility in operating performance
- Understand and control market risk through robust measurement, reporting and oversight
- Ensure that the capital charge for market risk is within the prudential levels
- Provide transparency into the Bank's market risk profile for senior management, Board of Directors and regulators

The overall responsibility in market risk management lies with the Board. Market & Liquidity risk management policy governs the market risk management framework of the Bank.

The Bank uses a range of complementary technical approaches to measure and control market risk including: Daily Value at Risk (DVaR), Price Value per Basis Point (PVBP), Duration and Stress Testing. DVaR is an estimate of the maximum potential loss that can arise from unfavourable market movements within a certain confidence level, if the current positions were to be held unchanged for one business day.

When arriving at DVaR , following are taken into account:

- Historical simulation uses the most recent 370 days of past data to generate possible future market moves, but the past may not be a good indicator of the future;
- The one-day time horizon does not fully capture the market risk of positions that cannot be closed out or hedged within one-day.
- DVaR does not indicate the potential loss beyond the 99th percentile.

In recognition of VaR's limitations Bank augments VaR with stress testing to evaluate the potential impact on portfolio values of more extreme, though plausible, events or movements in market variables.

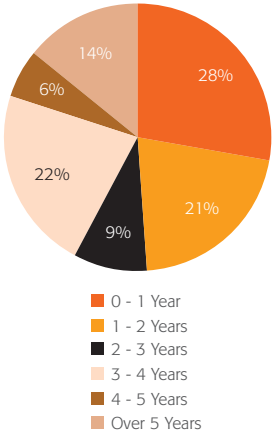
IIRMD reports to various levels of management on the market risk exposures through regular and ad-hoc reports. A daily market risk report summarizes the Bank's market risk exposures and compares it against preset exposure limits. This daily report is presented to the CRO and other appropriate managers for review.

## Interest Rate Risk

Interest rate risk is the potential volatility in Bank's Net Interest Income caused by changes in market interest rates. Bank's overall goal is to manage interest rate sensitivity so that movements in interest rates do not adversely affect Net Interest Income. Interest rate risk represents the most significant market risk exposure to Bank's financial instruments. The Bank's interest rate sensitive portfolio consists mainly of government securities.

Following chart shows the Government Securities trading portfolio maturity analysis as at 31st December 2012.

Government Securities Trading Portfolio




The Bank uses PVBP and Duration techniques to assess the interest rate risk which is calculated on weekly basis and communicated to various levels of management. Duration and PVBP tables show the position of interest rate risk as at 31st December 2012.

| Duration | Trading | AFS | HTM |
|---|---|---|---|
| Bills | NIL | NIL | 0.35 |
| Bonds | 1.56 | 4.54 | 3.93 |

| PVBP (LKR) | Trading | AFS | HTM |
|---|---|---|---|
| Bills | NIL | NIL | (2,109,212) |
| Bonds | (1,346,412) | (475,356) | (39,074,987) |

## Liquidity Risk

The Bank considers Liquidity risk as one of the major risks. Being the largest commercial bank in the country with the largest asset base, the Bank plays a pivotal role in the economy.

The Asset & Liability management Committee (ALCO) is primarily responsible for the management of liquidity in accordance with the Board approved Asset and Liability Management (ALM) Policy of the Bank. ALCO comprises of key corporate management members chaired by the General Manager. During the year 2012, twenty ALCO meetings were held and important decisions were taken to manage liquidity and interest rate risk. Bank's funding plan was reviewed monthly and remedial measures were proposed to rectify any material deviations, which might lead to a stress liquidity situation. ALM unit together with IIRMD manage the liquidity and interest rate risk of the Bank to optimize the profitability and liquidity of the Bank.

The Bank has set up many funding channels through correspondent banks and always maintains high quality liquid assets such as government bonds to meet liquidity requirements. Further periodic stress tests are carried out to determine the effects of specific as well as extreme events.

Maturity gap analysis helps the Bank to identify the mismatches in the assets and liability profile thus enabling funding decisions to be made. Maturity gap analysis as at 31st December 2012 is presented in note 54 to the financial statements. Key liquidity ratios are also monitored for prudent management of liquidity risk.

## Foreign Exchange Risk

Foreign exchange risk is the current or prospective risk to earnings and capital that arises from adverse movements in foreign exchange rates which affect the value of Bank's foreign exchange positions. The Bank keeps foreign exchange positions to facilitate client business and hardly for speculative

| Forex VaR (LKR) 31.12.2012 | Undiversified | Diversified | Diversification Effect |
|---|---|---|---|
| Daily VaR | 529,010 | 496,389 | 32,621 |
| 10 Day VaR | 1,672,877 | 1,569,720 | 103,157 |

purposes. Bank aims to avoid net currency positions and has on average maintained low positions over the 2012.

The Bank monitors foreign exchange risk through counterparty limits, money market limits, risk appetite limits and VaR measurements. IIRMD assures that any limit exceptions are duly reported and approved by the relevant higher authorities.

Forex VaR table shows the position of the overnight VaR under a 99% confidence interval as at year end.

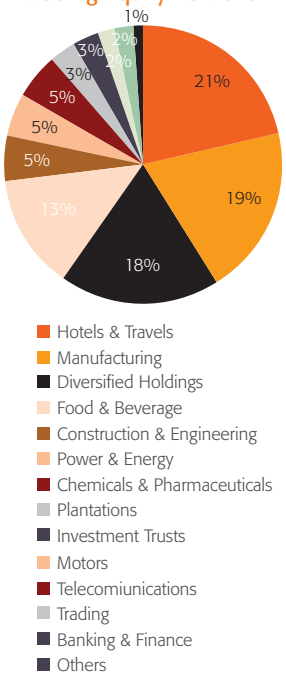
## Equity Risk

Equity risk arises due to changes in prices of securities which may adversely affect the Bank's financial position. The Bank has equity exposures in both primary and secondary market as part of its trading activity, which is conducted in accordance with its investment policy. Investment policy sets forth prudent limits on the Bank's market exposures as well as exposures to individual securities within the overall limit. The investment policy also manages the concentration risk in the equity portfolio by limiting the overall size of industry specific portfolios, with a maximum upper limit, as well as various other restrictive industry and customer concentration limits.

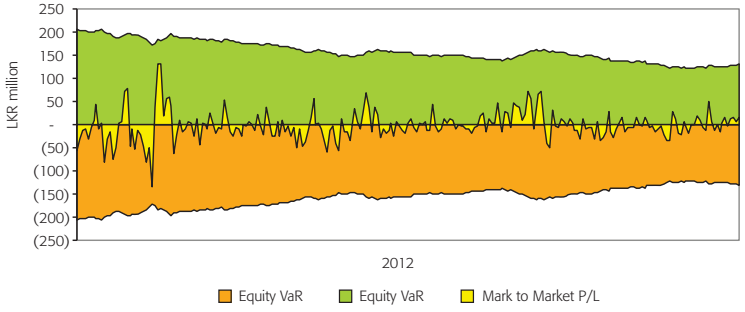
Equity securities held by the Bank are valued daily on a mark-to-market basis and the IIRMD monitors the Bank's equity portfolio value and the loss limits on daily basis in addition to the VaR computations.

The Bank is committed to maintaining a well-diversified trading investment portfolio to capture the diversification benefits. Following chart shows sector wise exposure of the Bank's trading equity portfolio as at 31st December 2012.

Sectorwise Trading Equity Portfolio




Equity VaR Vs. Mark to Market P/L




VaR for equity risk is measured on daily basis and reported to appropriate levels of management and the Board. The above chart shows the development of overnight equity VaR for 2012 against the mark-to-market profit & loss of the equity trading portfolio:

## OPERATIONAL RISK

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

The primary objective of operational risk management (ORM) is to ensure that operational risks are identified, assessed and mitigated to acceptable levels while allowing for the achievement of business and strategic goals.

In order to effectively and efficiently deliver its core purposes, the Bank has a comprehensive operational risk management framework which ensures:

- all staff taking responsibility and ownership for managing the operational risk inherent in their day to day work
- promoting and embedding a risk conscious culture throughout the Bank
- proactive and consistent in the identification, assessment, mitigation, monitoring and reporting of the operational risk

ORM policies define the principles, minimum standards and the ORM tools for the Bank.

The Bank considers inculcating a risk culture is paramount to the effective management of operational risk. A strong operational risk culture is evident when the individuals at all levels of the Bank are aware of the inherent risks and are dedicated to manage them within approved risk appetite.

# Risk Management

The Bank creates a risk conscious environment through promoting an operational risk culture:

- of effective integration of ORM into day-to-day business decisions
- where risk awareness is supported through exercise of appropriate judgment in the identification and management of risk
- through not only complying with the law, regulations, delegated authorities and other compliance requirements but also extending to doing what is right

The Bank performs number of risk analysis, which contributes into the ORM strategy and planning process by using number of techniques.

**Key Risk Indicators (KRI)** are defined as statistics and/or metrics, often financials, which can provide insight into a bank's risk position.

KRI are used to alert the Bank's impending problems in a timely fashion. They allow monitoring of the Bank's control culture as well as the operational risk profile and trigger risk mitigating actions.

Within the KRI program, data is captured at a granular level allowing for business environment monitoring and facilitating the forward-looking management.

The Bank captures and monitors island wide branch level KRI and reports to different management levels and the IRMC on quarterly basis.

**Risk and Control Self Assessment (RCSA)** is a methodology involves in reviewing and assessing the operational risk across the Bank as well as the internal controls designed to manage those risks.

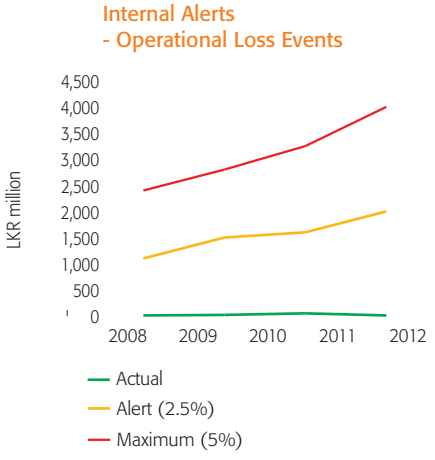
The Bank uses a bottom-up approach in conducting RCSA process. This process is carried out on a periodic basis, in the areas with high risk potential to take risk mitigating measures, and to resolve the identified issues.

The reporting mechanism of the "operational loss events" and "events disrupting business" enable detailed analysis and timely information to the management and the IRMC.

Systematic risk analysis, root cause analysis and lessons learnt exercise are conducted for internal loss events as a preventive measure to reduce recurrence.

Analysis of external loss events occurring in the banking industry is performed to identify inherent areas of risk and to define appropriate risk mitigating actions.

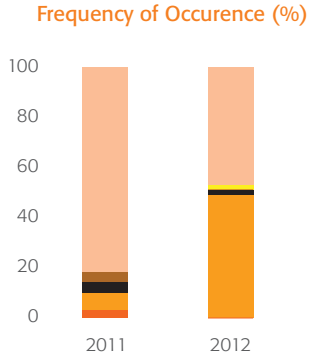
The Bank has set internal alert levels for operational loss events at policy level.




Bank conducts scenario analysis and stress testing on internal and external loss information to analyse the impact of the extreme situations on the capital, profitability and liquidity.

Further, the Bank maintains a comprehensive operational loss data base using the eight by seven matrix (i.e. risk event type and business line) to support calculations under Loss Distribution Approach (LDA).

Given below a frequency and severity of operational risk events occurred within the past two years.

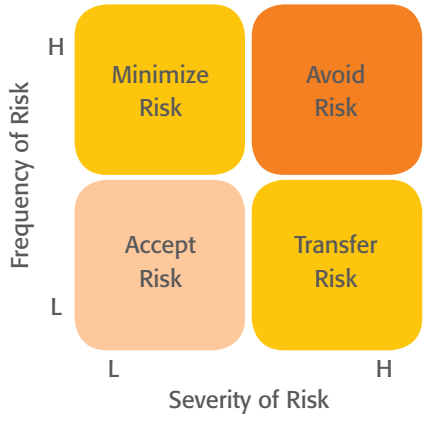


## Operational Risk Mitigation

The Bank is facing an environment marked by growing globalization and consolidation, rising customer expectations as well as the emergence of increasingly complex products, increasing regulatory requirements, uprising technological innovation, mounting competition and automation. This has increased the probability of failure or mistakes from the operations point of view, resulting in increased focus on taking appropriate risk mitigating actions.

The Bank uses following model to mitigate operational risk of different magnitude.

Due to the heterogeneous nature of operational risk in certain cases it cannot be fully mitigated. In such cases operational risk is mitigated following




the "as low as reasonably possible" principle by balancing the cost of mitigation with the benefits thereof and formally accepting the residual risk. The Bank also avoids those events where the benefit is less than the cost of risk with necessary approvals.

Bank has a strong internal system which is a key component in minimizing operational risk. Further the following policies, processes are introduced by the Bank to minimise the operational risk:

**Information System Security**

It is essential for a Bank to ensure that information is secured from destruction, corruption, unauthorized access and breach of confidentiality, whether accidental or deliberate.

Secured communication is needed for both the Bank and its stakeholders to benefit from the advancements that are empowering the Bank.

The Bank has a Board approved Information Security Policy, procedures and guidelines developed based on ISO 27001 Standard. The management direction and support for the implementation of information security initiatives are provided by the Corporate Information Security Committee (CISC) headed by the General Manager.

The Bank's IT Steering Committee acts as a consultative forum that can effectively address the strategic needs in relation to Information Technology. This forum is also a mechanism to track the progress of IT initiatives, identify risks and formulate strategies to mitigate the same.

**Business Continuity Plan**

A key function of risk management is to ensure the continuity of business across the Bank by managing crisis situations. The Business Continuity Policy defines the intent of the management to establish a Business Continuity Plan (BCP) to counteract interruptions to business activities. The objective is to protect the critical products and services from the effects of business disruptions due to major failures, incident or disasters and timely resumption of these critical processes.

The BCP defines scope, appropriate responsibilities, purpose, authority and relationships to ensure business continuity in all critical business divisions. It also includes the approach to Business Continuity adopted by the Bank.

As a key requirement of Bank's BCP, a comprehensive Disaster Recovery Center is in place outside city limits with alternate arrangements to facilitate continuing key operations in the event of various pre-defined scenarios.

Business Continuity Coordinating Unit is 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 'unit business continuity capabilities' for their respective functions. Three test runs were successfully completed within the year under review.

IIRMD oversees the functioning of the BCP and reports to the ORMEC and the IRMC on regular basis.

**Insurance**

The Bank uses risk transfer strategy to mitigate high severity risk from non–controllable sources. Risk transfer is a means of exchanging unknown financial impact of specified events for a known financial cost.

The Bank uses Insurance as a risk transfer strategy. Ceybank Insurance Services Unit of the Bank assess the risk involved in various banking operations and obtain insurance covers from state owned insurance service providers.

The Bank's indemnity policy provides a comprehensive cover against risks arising from banking operations. In addition, the Bank uses property insurance to transfer the risk of damages to physical assets from natural disasters and other hazards.

**Outsourcing**

After comprehensive evaluation of service providers, the Bank outsources certain functions to reduce cost and to

compensate for a lack of expertise or resources. The outsourcing functions are covered through robust contracts or service level agreements that ensure a clear allocation of responsibilities between external service providers and the Bank.

### Legal Risk

Legal risk falls within the definition of operational risk. It arises due to legal implications of failed systems, people, processes or external events. The Banks legal department consists of experienced and compliant legal officers. The responsibility of executing legal actions on behalf of the Bank is vested with the Legal Department.

The Chief Legal Officer assists the ORMEC in addressing legal implications of the Banks operational risk issues.

## STRATEGIC RISK

Strategic risk is the possibility that the Bank may face financial losses as a consequence of managerial imperfections or incorrect determination of strategic goals and objectives.

The Bank's strategic direction is well articulated in the corporate plan and a robust mechanism is in place to ensure the congruence of the actual performance with the strategic direction.

Having identified the significance of strategic risk in the risk profile, the Bank has established a procedure through ICAAP (Internal Capital Adequacy Assessment Process) to assess strategic risk using a five parameter scorecard based model. The IRMC monitors the strategic risk on continuous basis.

## REPUTATION RISK

Reputation risk is the current and prospective impact on profitability and capital arising from negative public opinion.

In a volatile global marketplace, where media coverage is almost simultaneous across the world, reputation is a key source of competitive advantage. The trust and confidence are understood to be the key business drivers, for banks which deal with public money.

As the premier bank in the country, the Bank has identified the importance of safeguarding its reputation and considers it as the mirror of Bank's trust mark.

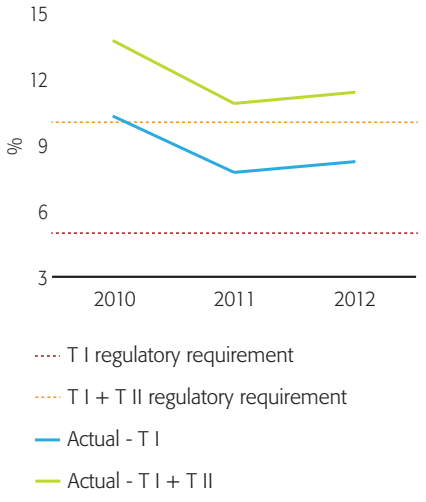
The Bank is therefore dedicated to managing reputation risk by promoting strong corporate governance and risk management practices at all levels of the organization, by understanding how different aspects of its business activities affect stakeholders, through effective communication and complying with current laws and regulations.

According to the definition under Basel II guidelines, reputation risk is addressed under Pillar II ICAAP framework. The Bank uses a scorecard approach to assess the reputation risk on half yearly basis.

## CAPITAL MANAGEMENT

The primary objective of Capital Management is to ensure maintenance of minimum regulatory capital requirement. The Bank ensures that adequate capital has been allocated to achieve strategic objectives and within the risk appetite of the Bank.

### Actual Vs Regulatory Capital




As at 31st December 2012, Bank maintains a Tier I ratio of 8.26% and Tier I plus Tire II ratio of 11.45% which is above the CBSL minimum regulatory capital requirement.

Covering all types of risk in a comprehensive manner across all business lines is a big challenge. The Basel II accord has introduced a framework to capture risks which were not taken into consideration under pillar I. This alternative approach is known as the Internal Capital Adequacy Assessment Process (ICAAP) which conducts capital assessment depending on the total risk level of the Bank.

## INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS (ICAAP)

ICAAP, documents in detail the inherent risks both pillar I and II, in the banking business, sets out controls and mitigations that a bank uses in respect of the risk and capital profile.

Considering the nature, size and complexity of the operation, the Bank carries out capital assessment process to understand the optimum capital level required to meet unforeseen contingencies.

The ICAAP process is governed by two principle requirements for the Bank

- to have an internal capital adequacy process and strategy linked to their capital levels
- to hold capital in excess of the regulatory minimum

To adhere with the above principles, the Bank has put in place policies and processes to measure, monitor and report all material risks & ensure the Bank can survive under severe conditions without exhausting resources and capital.

### Stress Testing

Stress testing is an integrated test that shows to varying degrees whether a bank can withstand unforeseen scenarios of varying severity under adverse economic, political and physical changes to the environment, which it operates.

The stresses and scenarios are used to consider whether the capital is sufficient for the business to meet its financial adequacy targets.

The stress-testing framework of the Bank covers number of different types of tests:

- Stresses to business assumptions
- Stresses to credit exposures
- Stresses to market movements and interest rates
- Stresses to liquidity
- Significant macro-economic or operational events which may affect earnings, capital and liquidity

The Bank uses three levels of severity for each scenario. Depending on how big the credit, market and operational losses be, the Bank defines the levels of severity as mild, moderate and worst. Results obtained from stress testing provide the management and the Board with a clear perspective of the potential risks.

## COMPLIANCE

The Bank treats compliance as part of its voluntary duty towards the betterment of the country and the society. Apart from the legal and regulatory requirements in the area of compliance, the Bank is committed to strictly observe banking ethics and standards to fulfill its social responsibility.

The lessons learned from the financial crisis that emerged one after the other, have transformed the compliance framework more rigid for financial institutions irrespective of their location. The international Banking community is exploring all the avenues to immune the banking system against the socially harmful activities such as Money Laundering, Terrorist Financing and Drug trafficking etc. in order to protect the global financial system against further crisis.

The Bank, being internationally active and the holder of major share in cross border transactions of the country, is fully committed to comply with the efforts of the international banking community.

Compliance is adherence to laws, regulations, regularity guidelines, internal control, standards and code of conduct in matters concerning observing proper standards and ethics of market conduct, approved policies in all areas of operations and dealing with matters such as prevention of money laundering and combating terrorist financing etc.

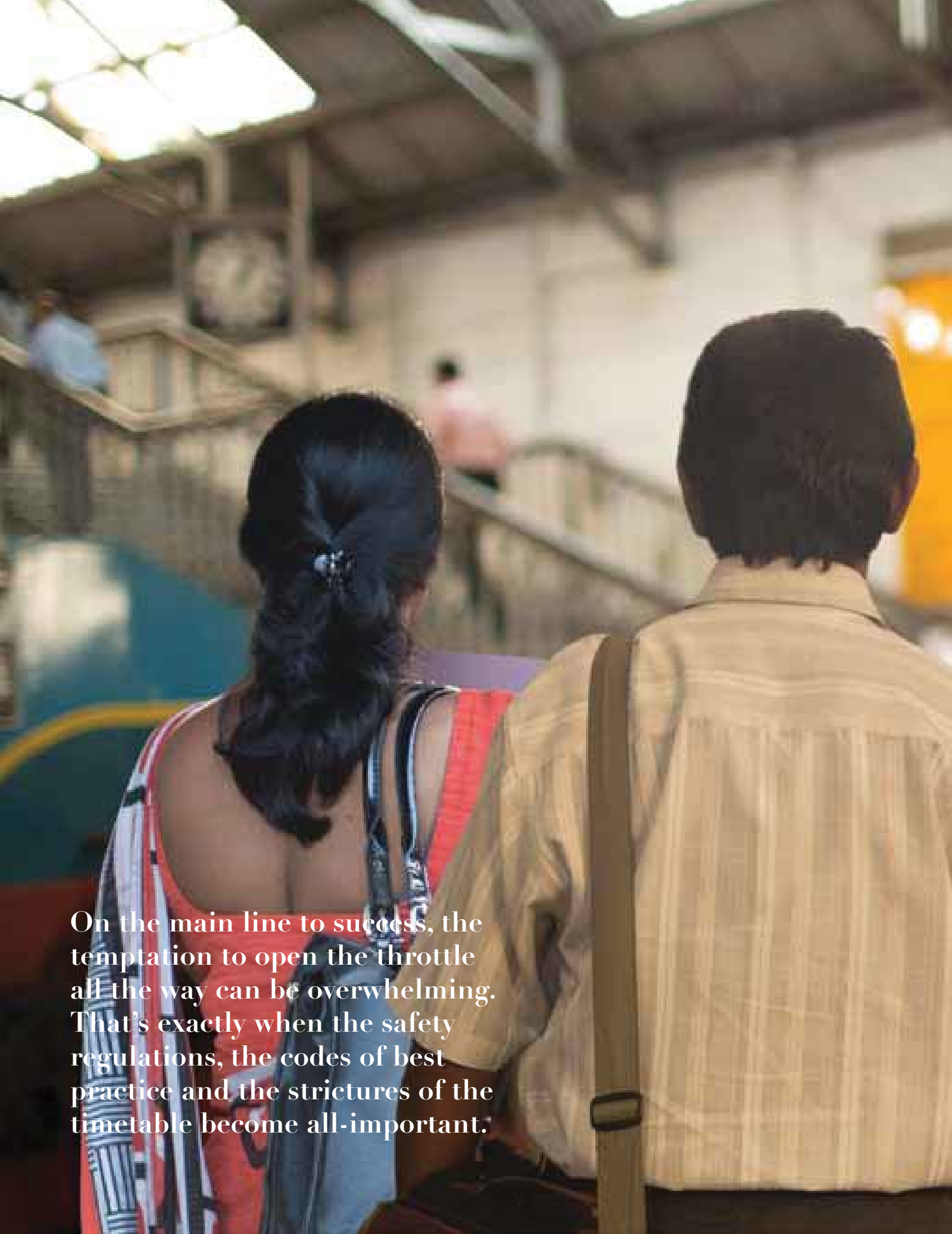
### Compliance Risk and Compliance Functions

Compliance risk is the current and prospective risk of impairment of Bank's integrity leading to damage the Bank's reputation, legal or regulatory sanction or financial loss due to non compliance. The Bank has taken maximum efforts to have the compliance risk at its bare minimum degree.

The compliance functions at the Bank are performed to comply with all relevant laws, regulations and guidelines etc. inclusive of Convention on the suppression of Terrorist Financing Act – No. 25 of 2005, Prevention of Money Laundering (PMLA) Act – No. 5 of 2006, Financial Transaction Reporting (FTRA) Act – No. 6 of 2006 and Customer Charter of Licensed Banks issued by the Central Bank of Sri Lanka. The Bank's well defined compliance functions, systems and procedures adopted in extracting and transmitting data to regulatory authorities, sensitiveness to environment activities and the good coordination and relationship maintained with the regulatory authorities facilitate to achieve the ultimate goal of being fully compliant.

### Establishment of Independent Compliance Department

The effectiveness of the compliance functions depend on the independency of the Compliance department. Further, the business expansion of the Bank has extended the dimensions of business volume and products which in turn prompt the requirement of strengthening of compliance department to cater the workload. In view of these facts, the Corporate Management of the Bank decided to bring the compliance department under a purview of a separate Assistant General Manager. Accordingly the compliance unit was transformed into Compliance department in August 2012 and is being handled by the Assistant General Manager (Compliance).



On the main line to success, the temptation to open the throttle all the way can be overwhelming. That's exactly when the safety regulations, the codes of best practice and the strictures of the timetable become all-important.

# Tablets & Time-tables

# Corporate Governance

Bank of Ceylon seriously takes the position it holds in helping to serve its stakeholders as an engine of growth. Bank demonstrates it through its commitment to upholding the highest standards of Corporate Governance. That includes the Bank's efforts to always do business the right way for its stakeholders.

It firmly believes that a sound and effective system of governance is also fundamental in attracting and maintaining public confidence in the Bank especially because, the Government owns it and because of the pivotal and dominant role the Bank plays in the Sri Lankan economy carrying substantial influence and leadership over many matters of policy and practice.

Our Board of Directors provides oversight of the Bank's affairs and constantly works to improve and build on the Bank's Corporate Governance practices. Assisting the Board in this path, the Nomination and Corporate Governance Committee, which is a subcommittee of the Board primarily focuses on the implementation of the applicable governance rules and best practices and continuously monitor the progress.

Bank of Ceylon's management processes, structure and policies help to ensure compliance with laws and regulations and provide clear lines of authority for decision making and accountability.

The Bank is bound by the Banking Act Direction No. 11 of 2007 on Corporate Governance for Licensed Commercial Banks issued by the Central Bank of Sri Lanka. The Bank has taken steps to the best of its ability to comply with the said Direction to the extent that they are not inconsistent with the Bank of Ceylon Ordinance No. 53 of 1938 and its amendments, the statute governing the Bank, as provided for in the said Direction.

Complying with these Directions represent just one dimension of governance. The other dimension is the Bank's corporate culture. One way the Board builds and protects its culture is by following very high ethical standards. This enables the Board to set values and standards for the Bank and its staff on par with best practices, while creating trust and transparency and ensuring that its obligations to all its stakeholders are understood and met.

In its search for continuous improvement the Bank follows an incremental approach in embedding governance into its value addition process and is making conscious efforts to continually improve the governance framework and the processes beyond the applicable rules and regulations.

As a guideline for best practices in Corporate Governance the Bank uses the Code of Best Practice on Corporate Governance issued jointly by the Securities and Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka. Since the Bank is complying with Directions laid down in the above mentioned Banking Act Direction No. 11 of 2007, the Colombo Stock Exchange exempted the Bank from complying with the Directions stipulated in Section 7.10 of the Continuing Listing Requirements on Corporate Governance.

As Bank of Ceylon works to serve its customers and other stakeholders generating returns for its only shareholder, the Government of Sri Lanka, it understands that success is only meaningful when it is achieved the right way, with the right values. It is the key to sustaining public trust and confidence in the Bank of Ceylon, and the key to its long term success.

The disclosures below demonstrate the Bank's adherence to disclosure requirements of the above mentioned Banking Act Direction No. 11 of 2007 and subsequent amendments thereto and the Code of Best Practices on Corporate Governance issued jointly by the Securities and Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka.
It explains the governance practices of Bank of Ceylon and action that has been taken to uphold good governance.

## Level of Compliance with the Banking Act Direction No. 11 of 2007 on Corporate Governance for Licensed Commercial Banks issued by the Central Bank of Sri Lanka.

| PRINCIPLES | | LEVEL OF COMPLIANCE |
|---|---|---|
| **3 (1) The Responsibilities of the Board** | | |
| 3 (1) (i) | The board shall strengthen the safety and soundness of the bank by ensuring the implementation of the following: | |
| | a) Approve and oversee the bank's strategic objectives and corporate values and ensure that these are communicated throughout the bank; | Complied with.<br>Strategic objectives and values are incorporated in the Board approved Corporate Plan for the period 2012 – 2014.<br>This was communicated throughout the Bank with the launch of this Plan. |
| | b) Approve the overall business strategy of the bank, including the overall risk policy and risk management procedures and mechanisms with measurable goals, for at least the next three years; | Complied with.<br>Corporate Plan 2012 – 2014 includes the overall business strategy of the Bank.<br>Action Plan based on the Corporate Plan highlighting the measurable goals was approved by the Board. |
| | c) Identify the principal risks and ensure implementation of appropriate systems to manage the risks prudently; | Complied with.<br>Board approved Risk Policy includes all risks such as credit, market, operations, strategic and reputational risks.<br>The Board has delegated the function of managing identified risks to the Integrated Risk Management Committee which is a Board subcommittee. This Committee manages the risks of the Bank through Monthly Risk Reports submitted to the Committee by the Chief Risk Officer/Acting Chief Risk Officer on a regular basis.<br>They are submitted to the Board immediately after the Integrated Risk Management Committee meetings with recommendations where necessary. |
| | d) Approve implementation of a policy of communication with all stakeholders, including depositors, creditors, share-holders and borrowers; | Complied with.<br>Board approved Communication Policy covering all stakeholders is in place. The Bank adhered to the policy guidelines. |
| | e) Review the adequacy and the integrity of the bank's internal control systems and management information systems; | Complied with.<br>The Board reviews the adequacy and the integrity of the Bank's internal control system by way of minutes submitted through the Audit Committee on a monthly basis with recommendations where necessary and highlights. |
| | f) Identify and designate key management personnel, as defined in the International Accounting Standards, who are in a position to:<br>(i) significantly influence policy;<br>(ii) direct activities; and<br>(iii) exercise control over business activities, operations and risk management; | Complied with.<br>In terms of Sri Lanka Accounting Standards (SLAS) 30 Related Party Disclosures and Direction No. 11 of 2007 on Corporate Governance issued by the Central Bank of Sri Lanka (CBSL), Bank has identified the Board of Directors (including the Alternate Director), General Manager and Members of Corporate Management (consisting of Deputy General Managers and the staff in the allied grade) as the Key Management Personnel of the Bank. |

| PRINCIPLES | LEVEL OF COMPLIANCE |
|---|---|
| g) Define the areas of authority and key responsibilities for the board directors themselves and for the key management personnel; | Complied with.<br>Bank of Ceylon Ordinance No.53 of 1938 and its amendments and the approved Board Charter clearly defines the authority and responsibilities of the Board and the General Manager. The authority and responsibilities of the Key Management Personnel are identified in their position descriptions which have been approved by the Board. |
| h) Ensure that there is appropriate oversight of the affairs of the bank by key management personnel, that is consistent with board policy; | Complied with.<br>The Board carries out this task by reviewing the progress towards the achievement of the Corporate Plan objectives based on the Action Plan.<br><br>Key Management Personnel are called to the Board meetings as and when needed to explain matters relating to their areas. |
| i) Periodically assess the effectiveness of the board directors' own governance practices, including: | Complied with.<br>Implementation of governance practices are reviewed periodically by the Nomination and Corporate Governance Committee. |
| (i) the selection, nomination and election of directors and key management personnel; | Bank of Ceylon being a bank wholly owned by the Government of Sri Lanka (GOSL), the Directors are appointed by the Minister in charge of the subject of Finance in terms of the Bank of Ceylon Ordinance No.53 of 1938 and its amendments by which Parliamentary Act the Bank of Ceylon was established and is governed.<br><br>The General Manager is appointed by the Board with the approval of the Minister in Charge of the subject of Finance. The Deputy General Managers and Officers in the allied grade are appointed by the Board. |
| (ii) the management of conflicts of interests; and | Complied with.<br>A procedure is in place where any conflicts of interests are reported to the Board for discussion at the commencement of every Board meeting. A Policy on Conflict of Interest has been adopted. |
| (iii) the determination of weaknesses and implementation of changes where necessary; | Complied with.<br>Any weakness in the governance practices are monitored by the Nomination and Corporate Governance Committee in its overall evaluation of the compliance with the applicable governance practices and reported to the Board for necessary action.<br><br>Weaknesses and implementation of changes are being discussed and determined at the Board meetings through the submission of the summary of annual performance appraisals of the Board members. |

| PRINCIPLES | | LEVEL OF COMPLIANCE |
|---|---|---|
| | j) Ensure that the bank has an appropriate succession plan for key management personnel; | Complied with.<br>A succession plan approved by the Board is in place at the Bank for Key Management Personnel. |
| | k) Meet regularly, on a needs basis, with the key management personnel to review policies, establish communication lines and monitor progress towards corporate objectives; | Complied with.<br>The Board minutes evidence that the Key Management Personnel are called to the Board meetings on a need basis. |
| | l) Understand the regulatory environment and ensure that the bank maintains an effective relationship with regulators; | Complied with.<br>On appointment as Directors, the Board is furnished with a set of documents containing regulatory requirements and applicable Corporate Governance principles etc.<br>Any fresh directions, circulars etc. issued are made available to the Directors. |
| | m) Exercise due diligence in the hiring and oversight of external auditors. | Complied with.<br>The Auditor General is the external auditor of the Bank as provided for in the Constitution of the country. |
| 3 (1) (ii) | The Board shall appoint the chairman and the chief executive officer and define and approve the functions and responsibilities of the chairman and the chief executive officer in line with Direction 3(5) of these Directions. | The Board appoints the Chief Executive Officer referred to as the General Manager in the Bank of Ceylon with the approval of the Minister in charge of the subject of Finance and the Chairman is appointed by the said Minister in terms of the Bank of Ceylon Ordinance No.53 of 1938 and its amendments.<br>A Board Charter is in place defining the responsibilities of the Chairman and the General Manager. |
| 3 (1) (iii) | The board shall meet regularly and board meetings shall be held at least twelve times a year at approximately monthly intervals. Such regular board meetings shall normally involve active participation in person of a majority of directors entitled to be present. Obtaining the board's consent through the circulation of written resolutions/papers shall be avoided as far as possible. | Complied with.<br>29 Board meetings have been held during the year 2012, which includes 06 Special meetings. Board actively participated at these meetings.<br>The Board avoids as far as possible passing of circular resolutions in order to arrive at deliberated decisions. During the year 2012 only one circular resolution has been passed. |
| 3 (1) (iv) | The board shall ensure that arrangements are in place to enable all directors to include matters and proposals in the agenda for regular board meetings where such matters and proposals relate to the promotion of business and the management of risks of the bank. | Complied with.<br>The process is in place and included in the Board Charter. |
| 3 (1) (v) | The board procedures shall ensure that notice of at least 7 days is given of a regular board meeting to provide all directors an opportunity to attend. For all other board meetings, reasonable notice may be given. | Complied with.<br>Annual calendar of Board meetings for every year is given before the beginning of the year. Another notice of the next meeting is send immediately after a Board meeting and also 7 days before regular Board meetings to provide all Directors an opportunity to attend.<br>Reasonable notice is given before any special meeting. |

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| 3 (1) (vi) | The board procedures shall ensure that a director, who has not attended at least two-thirds of the meetings in the period of 12 months immediately preceding or has not attended the immediately preceding three consecutive meetings held, shall cease to be a director. Participation at the directors' meetings through an alternate director shall, however, be acceptable as attendance. | Such situation has not arisen during the year 2012. |
| 3 (1) (vii) | The board shall appoint a company secretary who satisfies the provisions of Section 43 of the Banking Act No. 30 of 1988, whose primary responsibilities shall be to handle the secretariat services to the board and shareholder meetings and to carry out other functions specified in the statutes and other regulations. | Complied with.<br>Secretary to the Board is an Attorney-at-Law who complies with the provisions of Section 43 of the Banking Act No.30 of 1988. |
| 3 (1) (viii) | All directors shall have access to advice and services of the company secretary with a view to ensuring that board procedures and all applicable rules and regulations are followed. | Complied with.<br>The process is in place and also documented under the Board Charter. |
| 3 (1) (ix) | The company secretary shall maintain the minutes of board meetings and such minutes shall be open for inspection at any reasonable time, on reasonable notice by any director. | Complied with.<br>All Board minutes are circulated to Board members through the special IT system ( iPads provided to all members with a special software package) introduced and all current and the previous Board minutes are archived on the system enabling Board members to access them at their convenience. |
| 3 (1) (x) | Minutes of board meetings shall be recorded in sufficient detail so that it is possible to gather from the minutes, as to whether the board acted with due care and prudence in performing its duties. The minutes shall also serve as a reference for regulatory and supervisory authorities to assess the depth of deliberations at the board meetings. Therefore, the minutes of a board meeting shall clearly contain or refer to the following:<br>(a) a summary of data and information used by the board in its deliberations;<br>(b) the matters considered by the board;<br>(c) the fact-finding discussions and the issues of contention or dissent which may illustrate whether the board was carrying out its duties with due care and prudence;<br>(d) the testimonies and confirmations of relevant executives which indicate compliance with the board's strategies and policies and adherence to relevant laws and regulations;<br>(e) the board's knowledge and understanding of the risks to which the bank is exposed and an overview of the risk management measures adopted; and<br>(f) the decisions and board resolutions. | Complied with.<br>Detailed minutes are kept covering the given criteria. |

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| 3 (1) (xi) | There shall be a procedure agreed by the board to enable directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the bank's expense. The board shall resolve to provide separate independent professional advice to directors to assist the relevant director or directors to discharge his/her/their duties to the bank. | Complied with.<br>Bank has adopted a Policy for Directors' Access to Independent Professional Advice and the Board resorts to such advice when deemed necessary. |
| 3 (1) (xii) | Directors shall avoid conflicts of interests, or the appearance of conflicts of interest, in their activities with, and commitments to, other organisations or related parties. If a director has a conflict of interest in a matter to be considered by the board, which the board has determined to be material, the matter should be dealt with at a board meeting, where independent non-executive directors [refer to Direction 3(2)(iv) of these Directions] who have no material interest in the transaction, are present. Further, a director shall abstain from voting on any board resolution in relation to which he/she or any of his/her close relation or a concern, in which a director has substantial interest, is interested and he/she shall not be counted in the quorum for the relevant agenda item at the board meeting. | Complied with.<br>Board approved Policy on Conflict of Interest is in place.<br>Further as a practice at every Board meeting (held on a fortnightly basis) Directors are required to declare any interest in contracts/ new appointments to any other Board or institution. |
| 3 (1) (xiii) | The board shall have a formal schedule of matters specifically reserved to it for decision to ensure that the direction and control of the bank is firmly under its authority. | Complied with.<br>"Powers Reserved for the Board" is included in the Board Charter. |
| 3 (1) (xiv) | The board shall, if it considers that the bank is, or is likely to be, unable to meet its obligations or is about to become insolvent or is about to suspend payments due to depositors and other creditors, forthwith inform the Director of Bank Supervision of the situation of the bank prior to taking any decision or action. | Such a situation has not arisen during the year 2012. Monthly Financial Statements submitted to the Board assures to the Board of the Bank's solvency. |
| 3 (1) (xv) | The board shall ensures that the bank is capitalised at levels as required by the Monetary Board in terms of the capital adequacy ratio (CAR) and other prudential grounds. | The Board ensures that the Bank is capitalised at levels as required by the Monetary Board in terms of the CAR and other prudential grounds. Calculation of the CAR is submitted to the Board with the monthly financial statements of the Bank. Please refer page 64 for CAR |
| 3 (1) (xvi) | The board shall publish in the bank's Annual Report, an annual corporate governance report setting out the compliance with Direction 3 of these Directions. | Complied with.<br>Board publishes, in the Bank's Annual Report, an annual Corporate Governance Report setting out the compliance with Direction 3 of these Directions. |
| 3 (1) (xvii) | The board shall adopt a scheme of self-assessment to be undertaken by each director annually, and maintain records of such assessments. | Complied with.<br>The self-assessment of the Board is facilitated through the Nomination and Corporate Governance Committee of the Board and the annual evaluation records are maintained. |

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| **3 (2) The Board's Composition** | | |
| 3 (2) (i) | The number of directors on the board shall not be less than 7 and not more than 13. | According to the Bank of Ceylon Ordinance No. 53 of 1938 and its amendments the number of Directors permitted on the Board is 6 and the present Board consists of 6 Directors.<br><br>Bank is in the process of amending the said Bank of Ceylon Ordinance to accommodate the said requirement of the Direction. |
| 3 (2) (ii) | (A) The total period of service of a director other than a director who holds the position of chief executive officer shall not exceed nine years, and such period in office shall be inclusive of the total period of service served by such director up to January 1, 2008. | Present Directors of Bank of Ceylon have been in office for a period less than 9 years.<br><br>Details of their appointments are given on pages 34 to 37 of this Annual Report under the Profiles of Directors. |
| | (B) In this context, the following general exemption shall apply: A director who has completed nine years as at January 1, 2008, or who completes such term at any time prior to December 31, 2008, may continue for a further maximum period of 3 years commencing January 1, 2009. | Not applicable. |
| 3 (2) (iii) | An employee of a bank may be appointed, elected or nominated as a director of the bank (hereinafter referred to as an "executive director") provided that the number of executive directors shall not exceed one-third of the number of directors of the board. In such an event, one of the executive directors shall be the chief executive officer of the bank. | There are no Executive Directors in Bank of Ceylon since no employees of it have been appointed as its Directors. |

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| 3 (2) (iv) | The board shall have at least three independent non-executive directors or one third of the total number of directors, whichever is higher. This sub-direction shall be applicable from January 1, 2010 onwards.<br><br>A non-executive director shall not be considered independent if he/she:<br><br>a) has direct and indirect shareholdings of more than 1 per cent of the bank;<br><br>b) currently has or had during the period of two years immediately preceding his/her appointment as director, any business transactions with the bank as described in Direction 3 (7) hereof, exceeding 10 per cent of the regulatory capital of the bank.<br><br>c) has been employed by the bank during the two year period immediately preceding the appointment as director;<br><br>d) has a close relation who is a director or chief executive officer or a member of key management personnel or a material shareholder of the bank or another bank. For this purpose, a "close relation" shall mean the spouse or a financially dependant child;<br><br>e) represents a specific stakeholder of the bank;<br><br>f) is an employee or a director or a material shareholder in a company or business organization:<br><br>I. which currently has a transaction with the bank as defined in Direction 3(7) of these Directions, exceeding 10 per cent of the regulatory capital of the bank, or<br><br>II. in which any of the other directors of the bank are employed or are directors or are material shareholders; or<br><br>III. in which any of the other directors of the bank have a transaction as defined in Direction 3(7) of these Directions, exceeding 10 per cent of regulatory capital in the bank; | Complied with.<br>The entire Board of Bank of Ceylon consists of Non-Executive Directors. Out of them three Directors are identified as Independent Directors based on the criteria specified in this Direction.<br><br>They are identified on pages 34 to 37 with the Profiles of the Directors and also under Direction no.3(2)(viii) below. |
| 3 (2) (v) | In the event an alternate director is appointed to represent an independent director, the person so appointed shall also meet the criteria that applies to the independent director. | No Alternate Directors were appointed to represent an Independent Director. |
| 3 (2) (vi) | Non-executive directors shall be persons with credible track records and/or have necessary skills and experience to bring an independent judgment to bear on issues of strategy, performance and resources. | Complied with.<br>Present Directors' Profiles appearing on pages 34 to 37 spell out the necessary information. |
| 3 (2) (vii) | A meeting of the board shall not be duly constituted, although the number of directors required to constitute the quorum at such meeting is present, unless more than one half of the number of directors present at such meeting are non-executive directors. This sub-direction shall be applicable from January 1, 2010 onwards. | Complied with.<br>All the Board members of Bank of Ceylon are Non-Executive. |

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| 3 (2) (viii) | The independent non-executive directors shall be expressly identified as such in all corporate communications that disclose the names of directors of the bank. The bank shall disclose the composition of the board, by category of directors, including the names of the chairman,<br><br>executive directors, non-executive directors and independent non-executive directors in the annual corporate governance report. | Complied with.<br>During the year 2012 the Board consisted of the following members -<br><br>- Dr. Gamini Wickramasinghe* - Independent Non-Executive Director<br>- Mr. S R Attygalle- Non-Executive Ex officio Director or in his absence Mr. V Kanagasabapathy* (Alternate Director)<br>- Mr. Raju Sivaraman - Independent Non-Executive Director<br>- Ms. N. Abeywardene - Non-Executive Director<br>- Mr. Chandrasiri de Silva - Non-Executive Director<br>- Mr. K.L. Hewage-Independent Non-Executive Director<br><br>* (However, from 09th January 2013 Mr. Razik Zarook took over as the Chairman and from 30th January 2013 Mr. R M A Ratnayake was appointed as the Alternate Director to Mr. S R Attygalle in place of Mr. V. Kanagasabapathy who ceased to be the Alternate from 22nd January 2013.) |
| 3 (2) (ix) | There shall be a formal, considered and transparent procedure for the appointment of new directors to the Board. There shall also be procedures in place for the orderly succession of appointments to the board. | Not applicable since the appointments are made by the Minister in charge of the subject of Finance in terms of Bank of Ceylon Ordinance No.53 of 1938 and its amendments. |
| 3 (2) (x) | All directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after their appointment. | Not applicable since the appointments are made by the Minister in charge of the subject of Finance. |

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| 3 (2) (xi) | If a director resigns or is removed from office, the board shall:<br>(a) announce the director's resignation or removal and the reasons for such removal or resignation including but not limited to information relating to the relevant director's disagreement with the bank, if any; and<br>(b) issue a statement confirming whether or not there are any matters that need to be brought to the attention of shareholders. | There were no resignations or removals of Directors during the year 2012. However Dr. Gamini Wickramasinghe, Chairman resigned w.e.f. 8th January 2013 due to personal reasons.<br>Mr. V Kanagasabapathy, Alternate Director to Mr. S R Attygalle, Ex officio Director ceased to be the Alternate Director w.e.f 22nd January 2013 since he has left the Ministry of Finance and Planning with his retirement from the Government service.<br>The Government of Sri Lanka, the sole shareholder does the appointments as well as the removals through the Minister in charge of the subject of Finance. Any resignation is also referred to the same Minister. |
| 3 (2) (xii) | A director or an employee of a bank shall not be appointed, elected or nominated as a director of another bank except where such bank is a subsidiary company or an associate company of the first mentioned bank. | Neither Directors nor employees of Bank of Ceylon are Directors of another Bank which is not a subsidiary, other than for the appointment of a Deputy General Manager to the Pradeshiya Sanwardana Bank under the Pradeshiya Sanwardana Bank Act No.41 of 2008 which requires that a Deputy General Manager of Bank of Ceylon nominated by the Board of Directors of Bank of Ceylon shall hold office as an Ex officio Director. |
| 3 (3) Criteria to assess the fitness and propriety of directors | | |
| 3 (3) (i) | The age of a person who serves as director shall not exceed 70 years.<br>In this context, the following general exemption shall apply:<br>A director who has reached the age of 70 years as at January 1, 2008 or who would reach the age of 70 years prior to December 31, 2008 may continue in office for a further maximum period of 3 years commencing January 1, 2009. | None of the Directors of the Bank are over 70 years of age. |
| 3 (3) (ii)<br>3 (3) (ii) (A) | A person shall not hold office as a director of more than 20 companies/entities/institutions inclusive of subsidiaries or associate companies of the bank. Of such 20 companies/ entities/ institutions, not more than 10 companies shall be those classified as Specified Business Entities in terms of the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995.<br>In this context, the following general exemption shall apply:<br>If any person holds posts in excess of the limitation as above, such person shall within a maximum period of three years from 1 January 2009 comply with the above-mentioned limitation and notify the Monetary Board accordingly. | Complied with.<br>Not applicable |

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| **3 (4) Management functions delegated by the Board** | | |
| 3 (4) (i) | The directors shall carefully study and clearly understand the delegation arrangements in place. | Complied with.<br>As per the Bank of Ceylon Ordinance No. 53 of 1938 and its amendments the Board may delegate any of its powers (other than the power to appoint the General Manager) to any authorized officer and such delegation is subject to conforming to all regulations prescribed by the Board. The Board has the power to revoke such delegation. Delegation is done by the Board in a way that it does not hinder the ability of the Board. |
| 3 (4) (ii) | The board shall not delegate any matters to a board committee, chief executive officer, executive directors or key management personnel, to an extent that such delegation would significantly hinder or reduce the ability of the board as a whole to discharge its functions. | |
| 3 (4) (iii) | The board shall review the delegation processes in place on a periodic basis to ensure that they remain relevant to the needs of the bank. | Complied with.<br>Delegated powers are reviewed periodically and updated. |
| **3 (5) The Chairman and Chief Executive Officer** | | |
| 3 (5) (i) | The roles of chairman and chief executive officer shall be separate and shall not be performed by the same individual. | The positions of the Chairman and the Chief Executive Officer referred to as the General Manager in Bank of Ceylon are held by two different individuals.<br><br>A Board Charter is in place defining the responsibilities of the Chairman and the General Manager. |
| 3 (5) (ii) | The chairman shall be a non-executive director and preferably an independent director as well. In the case where the chairman is not an independent director, the board shall designate an independent director as the Senior Director with suitably documented terms of reference to ensure a greater independent element. The designation of the Senior Director shall be disclosed in the bank's Annual Report. | Chairman of Bank of Ceylon is an Independent Non-Executive Director. |

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| 3 (5) (iii) | The board shall disclose in its corporate governance report, which shall be an integral part of its Annual Report, the identity of the chairman and the chief executive officer and the nature of any relationship [including financial, business, family or other material/relevant relationship(s)], if any, between the chairman and the chief executive officer and the relationships among members of the board. | Chairman – Dr. Gamini Wickramasinghe until 8th January 2013. Mr. Razik Zarook from 9th January 2013.<br>The Chief Executive Officer (referred to as the General Manager in Bank of Ceylon) –<br>• Ms. W. A. Nalani from 1st January 2012 to 3rd June 2012.<br>• Mr. K. Dharmasiri from 4th June 2012 to 07th January 2013.<br>• Mr. D. M. Gunasekara, from 8th January 2013 onwards.<br>The above change of General Managers is due to their retirement from the Bank's service at the compulsary age of retirement.<br>Declarations have been obtained from the Chairman and General Manager and other Board members during the year 2012 that they have no relationships amongst each other as described in this Direction. |
| 3 (5) (iv) | The chairman shall: (a) provide leadership to the board; (b) ensure that the board works effectively and discharges its responsibilities; and (c) ensure that all key and appropriate issues are discussed by the board in a timely manner. | Complied with.<br>The Chairman provides leadership to the Board and ensures that the Board functions effectively in discharging its responsibility. The Board in a timely manner deliberates all key issues. |
| 3 (5) (v) | The chairman shall be primarily responsible for drawing up and approving the agenda for each board meeting, taking into account where appropriate, any matters proposed by the other directors for inclusion in the agenda. The chairman may delegate the drawing up of the agenda to the company secretary. | Complied with.<br>The Secretary to the Board draws up the agenda under the authority delegated by the Chairman. The agenda is drawn up based on the memoranda submitted through the General Manager and any other relevant items proposed to be included by any Board member. |
| 3 (5) (vi) | The chairman shall ensure that all directors are properly briefed on issues arising at board meetings and also ensure that directors receive adequate information in a timely manner. | Complied with.<br>Adequate information is provided to all Directors in a timely manner around 6-7 days prior to the meeting through the agenda and board papers submitted to them. The new IT solution facilitates submission of memaranda expeditiously. Any late memoranda are also submitted as much as possible prior to the date of the Board meeting. However, in the event of any urgent issue in addition to the memoranda, detailed explanations are provided to the Board on the contents of the memoranda giving them adequate information to take decisions. The Chairman ensures the implementation of this process. |

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| 3 (5) (vii) | The chairman shall encourage all directors to make a full and active contribution to the board's affairs and take the lead to ensure that the board acts in the best interests of the bank. | Complied with. |
| 3 (5) (viii) | The chairman shall facilitate the effective contribution of non-executive directors in particular and ensure constructive relations between executive and non-executive directors. | Complied with.<br>The entire Board consists of Non-Executive Directors. |
| 3 (5) (ix) | The chairman shall not engage in activities involving direct supervision of key management personnel or any other executive duties whatsoever. | Complied with.<br>Chairman is an Independent, Non-Executive Director and does not engage in activities involving direct supervision of Key Management Personnel. |
| 3 (5) (x) | The chairman shall ensure that appropriate steps are taken to maintain effective communication with shareholders and that the views of shareholders are communicated to the board. | Complied with.<br>Effective communication is maintained with the Government of Sri Lanka who is the sole shareholder. A representative of the Ministry in charge of the subject of Finance is always appointed as the Ex officio Director to the Board and views of the shareholder are thus communicated. |
| 3 (5) (xi) | Chief Executive Officer shall function as the apex executive-in-charge of the day-to day management of the bank's operations and business. | Complied with.<br>The Board Charter specifically refers to such authority of the General Manager. |
| 3 (6) Board appointed Committees | | |
| 3 (6) (i) | Each bank shall have at least four board committees as set out in Directions 3(6)(ii), 3(6)(iii), 3(6)(iv) and 3(6)(v) of these Directions. Each committee shall report directly to the board. All committees shall appoint a secretary to arrange the meetings and maintain minutes, records, etc., under the supervision of the chairman of the committee. The board shall present a report of the performance on each committee, on their duties and roles at the annual general meeting. | Complied with.<br>Four subcommittees of the Board (viz. Audit, Human Resources & Remuneration, Nomination & Corporate Governance and Integrated Risk Management) have been established as required under this Direction which are reporting directly to the Board by submitting the minutes together with the recommendations.<br><br>The Secretary to the Board has been appointed as the Secretary to all the Committees and maintains minutes etc. under the supervision of the Chairmen of the Committees.<br><br>Structure of the Subcommittees, reports on the performance of each Subcommittee and attendance of Directors are included in this Annual Report on pages 138 to 149 Bank of Ceylon does not hold an Annual General Meeting. However, the sole shareholder's (Government of Sri Lanka) representative is a member on the Board, and looks after the interests of the shareholder. |

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| 3 (6) (ii) | The following rules shall apply in relation to the **Audit Committee:** | |
| | a) The chairman of the committee shall be an independent non-executive director who possesses qualifications and experience in accountancy and/or audit. | Mr. V Kanagasabapathy Alternate Director to the Ex officio Director, who is a Non-Executive Director holding qualifications and experience in accountancy and audit, functioned as the Chairman of Audit Committee during the year 2012.<br><br>Mr. R M A Ratnayake was appointed as the Alternate Director to the Ex officio Director and he who holds qualifications and experience in accountancy and audit, functions as the Chairman of the Audit Committee from January 2013. Their appointments as Chairmen, Audit Committee have been approved by the Central Bank of Sri Lanka . |
| | b) All members of the committee shall be non-executive directors. | Complied with.<br>All members of the Committee are Non-Executive Directors. |
| | c) The committee shall make recommendations on matters in connection with: | Not applicable since the Bank's Auditor is the Auditor General in terms of the Constitution of Sri Lanka. |
| | (i) the appointment of the external auditor for audit services to be provided in compliance with the relevant statutes; | Auditor General has appointed M/s Ernst & Young Chartered Accountants to assist him in the audit of the Consolidated Financial Statements of the Bank and its Subsidiaries for the year ended 31st December 2012 |
| | (ii) the implementation of the Central Bank guidelines issued to auditors from time to time; | Complied with.<br>Audit Committee has discussed and ratified issues regarding the CBSL Guidelines issued to the auditors on the requirement of disclosing in the Director's Statement on Internal Control Mechanism on the reliability of the Financial Statements prepared and submitted by the auditors as per the CBSL Direction No. 11 of 2007. |
| | (iii) the application of the relevant accounting standards; and | Complied with.<br>Outstanding matters pertaining to the implementation of Sri Lanka Accounting Standards were discussed and recommendation made at the Audit Committee. |
| | (iv) the service period, audit fee and any resignation or dismissal of the auditor; provided that the engagement of the Audit partner shall not exceed five years, and that the particular Audit partner is not re-engaged for the audit before the expiry of three years from the date of the completion of the previous term. | Not applicable in view of Auditor General being the Auditor of the Bank in terms of the Constitution of Sri Lanka. |

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| d) The committee shall review and monitor the external auditor's independence and objectivity and the effectiveness of the audit processes in accordance with applicable standards and best practices. | Not applicable as the Bank's Auditor is the Auditor General in terms of the Constitution of Sri Lanka. Independence of the Auditor General is guaranteed under the Constitution. |
| e) The committee shall develop and implement a policy on the engagement of an external auditor to provide non-audit services that are permitted under the relevant statutes, regulations, requirements and guidelines. In doing so, the committee shall ensure that the provision by an external auditor of non-audit services does not impair the external auditor's independence or objectivity. When assessing the external auditor's independence or objectivity in relation to the provision of non-audit services, the committee shall consider:<br>I. whether the skills and experience of the audit firm make it a suitable provider of the non-audit services;<br>II. whether there are safeguards in place to ensure that there is no threat to the objectivity and/or independence in the conduct of the audit resulting from the provision of such services by the external auditor; and<br>III. whether the nature of the non-audit services, the related fee levels and the fee levels individually and in aggregate relative to the audit firm, pose any threat to the objectivity and/or independence of the external auditor. | The Auditor General is the Auditor of the Bank. |
| f) The committee shall, before the audit commences, discuss and finalise with the external auditors the nature and scope of the audit, including:<br>I. an assessment of the bank's compliance with the relevant Directions in relation to corporate governance and the management's internal controls over financial reporting;<br>II. the preparation of financial statements for external purposes in accordance with relevant accounting principles and reporting obligations; and<br>III. the co-ordination between firms where more than one audit firm is involved. | The Auditor General is the Auditor of the Bank.<br>The Chairman and Members of the Audit Committee with the relevant management personnel met the Auditor General to discuss the matters referred to in this Direction.<br>Scope and the extent of audit have been determined by the Auditor General and it is stated that E&Y who assist the Auditor General can make further changes/ amendments to the scope having considered the volume and risk associated. |

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| g) The committee shall review the financial information of the bank, in order to monitor the integrity of the financial statements of the bank, its annual report, accounts and quarterly reports prepared for disclosure, and the significant financial reporting judgments contained therein. In reviewing the bank's annual report and accounts and quarterly reports before submission to the board, the committee shall focus particularly on:<br>(i) major judgmental areas;<br>(ii) any changes in accounting policies and practices;<br>(iii) significant adjustments arising from the audit;<br>(iv) the going concern assumption; and<br>(v) the compliance with relevant accounting standards and other legal requirements. | Complied with.<br>There is a continuing process carried out in reviewing monthly, quarterly and annual financials of the Bank by the Committee. |
| h) The committee shall discuss issues, problems and reservations arising from the interim and final audits, and any matters the auditor may wish to discuss including those matters that may need to be discussed in the absence of key management personnel, if necessary. | The Committee discusses issues, problems and reservations arising from the interim and final audits. The Auditor General is the auditor of the Bank and his representative is present at all Audit Committee meetings and no request was made in the year under review to discuss any matter in the absence of the Management. |
| i) The committee shall review the external auditor's management letter and the management's response thereto. | Complied with.<br>Follow up action is taken accordingly. |
| j) The committee shall take the following steps with regard to the internal audit function of the bank: | |
| I. Review the adequacy of the scope, functions and resources of the internal audit department, and satisfy itself that the department has the necessary authority to carry out its work; | Complied with. |
| II. Review the internal audit programme and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit department;<br>III. Review any appraisal or assessment of the performance of the head and senior staff members of the internal audit department; | Complied with.<br>Performance Appraisal of Chief Internal Auditor and the internal audit function was carried out by the Audit Committee. Performance evaluation of senior staff is carried out according to the Board approved evaluation process by the Chief Internal Auditor and is tabled before the Audit Committee. |
| IV. Recommend any appointment or termination of the head, senior staff members and outsourced service providers to the internal audit function; | Complied with.<br>The Committee has recommended the extension of the contract of service of the Chief Internal Auditor which has been approved by the Board. |
| V. Ensure that the committee is appraised of resignations of senior staff members of the internal audit department including the chief internal auditor and any outsourced service providers, and to provide an opportunity to the resigning senior staff members and outsourced service providers to submit reasons for resigning; | Complied with. |

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| VI. Ensure that the internal audit function is independent of the activities it audits and that it is performed with impartiality, proficiency and due professional care; | Complied with.<br>According to the Organization Structure of the Bank, the Chief Internal Auditor reports directly to the Board through the Audit Committee and he is independent of any operations of the Bank. |
| k) The Committee shall consider the major findings of internal investigations and management's responses thereto. | Complied with. |
| l) The chief finance officer, the chief internal auditor and a representative of the external auditors may normally attend meetings. Other board members and the chief executive officer may also attend meetings upon the invitation of the committee. However, at least twice a year, the committee shall meet with the external auditors without the executive directors being present. | Complied with.<br>The Chief Financial Officer, Chief Internal Auditor, General Manager, and representatives of the Auditor General participate at all Committee meetings.<br>With the appointment of E & Y to assist the Auditor General, representatives of E & Y participated at meetings. |
| m) The committee shall have:<br>(i) explicit authority to investigate into any matter within its terms of reference;<br>(ii) the resources which it needs to do so;<br>(iii) full access to information; and<br>(iv) authority to obtain external professional advice and to invite outsiders with relevant experience to attend, if necessary. | Complied with. |
| n) The committee shall meet regularly, with due notice of issues to be discussed and shall record its conclusions in discharging its duties and responsibilities. | Complied with.<br>The Committee meets regularly and gives due notice of the issues to be discussed. The minutes are made and maintained of these Committee meetings. |
| o) The board shall disclose in an informative way,<br>(i) details of the activities of the audit committee;<br>(ii) the number of audit committee meetings held in the year; and<br>(iii) details of attendance of each individual director at such meetings. | Complied with.<br>Activities of the Committee are reported in Audit Committee Report on pages 139 and 141<br>The Committee met 14 times during the year 2012 and details of attendance are given on page 149. |

| PRINCIPLES | | LEVEL OF COMPLIANCE |
|---|---|---|
| | p) The secretary of the committee (who may be the company secretary or the head of the internal audit function) shall record and keep detailed minutes of the committee meetings. | Complied with.<br>Minutes are maintained by the Secretary to the Board who is also the Secretary to the Committee. |
| | q) The committee shall review arrangements by which employees of the bank may, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters. Accordingly, the committee shall ensure that proper arrangements are in place for the fair and independent investigation of such matters and for appropriate follow-up action and to act as the key representative body for overseeing the bank's relations with the external auditor. | Complied with.<br>A Whistle Blower Policy is in place which covers these aspects and significant findings were reported to the Audit Committee for appropriate follow-up action. |
| 3 (6) (iii) | The following rules shall apply in relation to the **Human Resources and Remuneration Committee:** | |
| | a) The committee shall determine the remuneration policy (salaries, allowances and other financial payments) relating to directors, Chief Executive Officer (CEO) and key management personnel of the bank. | The remuneration for Directors are according to the circulars issued by the Minister in charge of the subject of Finance and the Bank has adopted a Remuneration Policy based on the said circulars.<br><br>The Committee makes recommendations of the remuneration of the General Manager and Key Management Personnel once in three years and submit to the Board and finally obtains the approval of the Minister in charge of the subject of Finance. |
| | b) The committee shall set goals and targets for the directors, CEO and the key management personnel. | No targets for the Directors are set since all of them are Non-Executive Directors. Goals and targets for the Key Management Personnel are documented and detailed in the Action Plan prepared based on the Corporate Plan of the Bank. The General Manager is responsible for the implementation of the Corporate Plan through the Key Management Personnel. Performance on same is reviewed by the full Board on a periodic basis. A separate evaluation of the performance of the General Manager is also carried out on an annual basis by the full Board. |
| | c) The committee shall evaluate the performance of the CEO and key management personnel against the set targets and goals periodically and determine the basis for revising remuneration, benefits and other payments of performance-based incentives. | |
| | d) The CEO shall be present at all meetings of the committee, except when matters relating to the CEO are being discussed. | Complied with. |

| PRINCIPLES | | LEVEL OF COMPLIANCE |
|---|---|---|
| 3 (6) (iv) | The following rules shall apply in relation to the **Nomination Committee:** | The Bank has established a **Nomination and Corporate Governance Committee.** In addition to the duties of the Nomination Committee given under this Direction, certain other duties pertaining to upholding the applicable Corporate Governance principles are included under the Terms of Reference of this Committee. |
| | a) The committee shall implement a procedure to select/ appoint new directors, CEO and key management personnel. | The Directors are appointed by the Minister in charge of the subject of Finance and hence the Committee plays no role in that regard. There is a Board approved procedure/scheme for the selection / appointment of the staff of Bank of Ceylon including Key Management Personnel. Changes to such approved schemes were recommended by this Committee. Please refer the report of the Committee given on pages 144 and 145 of this Annual Report in this regard. |
| | b) The committee shall consider and recommend (or not recommend) the re-election of current directors, taking into account the performance and contribution made by the director concerned towards the overall discharge of the board's responsibilities. | Not applicable since the Directors are appointed by the Minister in charge of the subject of Finance. |
| | c) The committee shall set the criteria such as qualifications, experience and key attributes required for eligibility to be considered for appointment or promotion to the post of CEO and the key management positions. | The General Manager is appointed based on the Bank's accepted procedure with the approval of the Board of Directors and the Minister in charge of the subject of Finance as specified in the Bank of Ceylon Ordinance No.53 of 1938 and its amendments. The Board approved promotion schemes stipulate the attributes required to be eligible to be selected or promoted to the other key management positions. |
| | d) The committee shall ensure that directors, CEO and key management personnel are fit and proper persons to hold office as specified in the criteria given in Direction 3(3) and as set out in the Statutes. | Complied with. |
| | e) The committee shall consider and recommend from time to time, the requirements of additional/new expertise and the succession arrangements for retiring directors and key management personnel. | The Directors are appointed by the Minister in charge of the subject of Finance.<br>A Succession Plan for the General Manager and the Key Management Personnel are in place. |
| | f) The Committee shall be chaired by an Independent Director and preferably be constituted with a majority of Independent Directors. The CEO may be present at meetings by invitation. | Complied with.<br>Please refer the report of the Committee given on page 144 of this Annual Report for details in this regard. |

| PRINCIPLES | | LEVEL OF COMPLIANCE |
|---|---|---|
| 3 (6) (v) | The following rules shall apply in relation to the **Integrated Risk Management Committee:** | |
| | a) The committee shall consist of at least three non-executive directors, chief executive officer and key management personnel supervising broad risk categories, i.e., credit, market, liquidity, operational and strategic risks. The committee shall work with key management personnel very closely and make decisions on behalf of the board within the framework of the authority and responsibility assigned to the committee. | As per the terms of reference, the Committee consists of three Non-Executive Directors, the General Manager and Acting Chief Risk Officer (CRO) who supervises broad risk categories as detailed in this Direction. Any other Key Management Personnel and other staff are invited as and when the Committee needs their presence. |
| | b) The committee shall assess all risks, i.e., credit, market, liquidity, operational and strategic risks to the bank on a monthly basis through appropriate risk indicators and management information. In the case of subsidiary companies and associate companies, risk management shall be done, both on a bank basis and group basis. | Independent Integrated Risk Management Division of the Bank assesses the credit, market liquidity, operational and strategic risks of the Bank on a monthly basis and the summary reports are submitted to the Committee quarterly and then to the next immediate Board meeting.<br><br>In the case of subsidiaries and associates the Acting Chief Risk Officer has made a presentation to the Risk Officers of the relevant institutions and they have been asked to submit their risk policies to initiate further action. Thereafter, the Bank will have to address the, Risk Management both on a Bank basis and Group basis. |
| | c) The Committee shall review the adequacy and effectiveness of all management level committees such as the credit committee and the asset-liability committee to address specific risks and to manage those risks within quantitative and qualitative risk limits as specified by the committee. | Complied with. |
| | d) The Committee shall take prompt corrective action to mitigate the effects of specific risks in the case such risks are at levels beyond the prudent levels decided by the committee on the basis of the bank's policies and regulatory and supervisory requirements. | Complied with.<br>Specific quantitative and qualitative risks which went beyond the limits were monitored by the Chief Risk Officer/Acting Chief Risk Officer and reported direct to the Committee based on the severity of the issues involved. |
| | e) The Committee shall meet at least quarterly to assess all aspects of risk management including updated business continuity plans. | Complied with.<br>During the year, the Committee has had 5 meetings.<br><br>Details of meetings and attendance are given on page 149. |
| | f) The Committee shall take appropriate actions against the officers responsible for failure to identify specific risks and take prompt corrective actions as recommended by the committee, and/or as directed by the Director of Bank Supervision. | Formal documented disciplinary action procedure involving Internal Audit & Human Resources is in place in the Bank. |

| PRINCIPLES | | LEVEL OF COMPLIANCE |
|---|---|---|
| | g) The Committee shall submit a risk assessment report within a week of each meeting to the board seeking the board's views, concurrence and/or specific directions. | The minutes of the meetings are submitted to the next immediate Board meeting together with the recommendation and Risk Management Reports. |
| | h) The Committee shall establish a compliance function to assess the bank's compliance with laws, regulations, regulatory guidelines, internal controls and approved policies on all areas of business operations. A dedicated compliance officer selected from key management personnel shall carry out the compliance function and report to the committee periodically. | The Bank has established a separate compliance function to assess the Bank's compliance with laws, regulations, regulatory guidelines, internal controls and approved policies on all areas of business operations. A Compliance Officer is appointed at the Bank and he submits quarterly Compliance Reports to the Committee and monthly Compliance Reports to the Board.<br><br>Measures have been taken to further improve the compliance function. |
| 3 (7) Related party transactions | | |
| 3 (7) (i) | The board shall take the necessary steps to avoid any conflicts of interest that may arise from any transaction of the bank with any person, and particularly with the following categories of persons who shall be considered as "related parties" for the purposes of this Direction:<br><br>a) Any of the bank's subsidiary companies;<br><br>b) Any of the bank's associate companies;<br><br>c) Any of the directors of the bank;<br><br>d) Any of the bank's key management personnel;<br><br>e) A close relation of any of the bank's directors or key management personnel;<br><br>f) A shareholder owning a material interest in the bank;<br><br>g) A concern in which any of the bank's directors or a close relation of any of the bank's directors or any of its material shareholders has a substantial interest. | Complied with.<br><br>A Policy on Related Party Transactions covering related parties, their transactions, and restrictions on offering more favourable treatment has been adopted. Transactions are monitored through an automated system.<br><br>Transactions carried out with related parties in the normal course of business are disclosed in Note 55 on "Related Party Disclosures" in the Financial Statements. |

| PRINCIPLES | | LEVEL OF COMPLIANCE |
|---|---|---|
| 3 (7) (ii) | The type of transactions with related parties that shall be covered by this Direction shall include the following:<br>a) The grant of any type of accommodation, as defined in the Monetary Board's Directions on maximum amount of accommodation,<br>b) The creation of any liabilities of the bank in the form of deposits, borrowings and investments,<br>c) The provision of any services of a financial or non-financial nature provided to the bank or received from the bank,<br>d) The creation or maintenance of reporting lines and information flows between the bank and any related parties which may lead to the sharing of potentially proprietary, confidential or otherwise sensitive information that may give benefits to such related parties. | Complied with.<br>Information in this regard, is disclosed in Note 55 on "Related Party Disclosures" in the Financial Statements. |
| 3 (7) (iii) | The board shall ensure that the bank does not engage in transactions with related parties as defined in Direction 3(7)(i) above, in a manner that would grant such parties "more favourable treatment" than that accorded to other constituents of the bank carrying on the same business. In this context, "more favourable treatment" shall mean and include treatment, including the:<br>a) Granting of "total net accommodation" to related parties, exceeding a prudent percentage of the bank's regulatory capital, as determined by the board. For purposes of this sub-direction:<br>I. "Accommodation" shall mean accommodation as defined in the Banking Act Directions, No.7 of 2007 on Maximum Amount of Accommodation.<br>II. The "total net accommodation" shall be computed by deducting from the total accommodation, the cash collateral and investments made by such related parties in the bank's share capital and debt instruments with a maturity of 5 years or more.<br>b) Charging of a lower rate of interest than the bank's best lending rate or paying more than the bank's deposit rate for a comparable transaction with an unrelated comparable counterparty;<br>c) Providing of preferential treatment, such as favourable terms, covering trade losses and/or waiving fees/ commissions, that extend beyond the terms granted in the normal course of business undertaken with unrelated parties;<br>d) Providing services to or receiving services from a related-party without an evaluation procedure;<br>e) Maintaining reporting lines and information flows that may lead to sharing potentially proprietary, confidential or otherwise sensitive information with related parties, except as required for the performance of legitimate duties and functions. | Complied with.<br>The Board takes necessary steps to avoid any conflicts of interest that may arise from any transaction of the Bank with its related parties in the manner declared under 3(7)(i).<br>Monitoring mechanism to identify favourable treatment will be strengthened. |

| PRINCIPLES | | LEVEL OF COMPLIANCE |
|---|---|---|
| 3 (7) (iv) | A bank shall not grant any accommodation to any of its directors or to a close relation of such director unless such accommodation is sanctioned at a meeting of its board of directors, with not less than two-thirds of the number of directors other than the director concerned, voting in favour of such accommodation. This accommodation shall be secured by such security as may from time to time be determined by the Monetary Board as well. | Complied with. |
| 3 (7) (v) | a) Where any accommodation has been granted by a bank to a person or a close relation of a person or to any concern in which the person has a substantial interest, and such person is subsequently appointed as a director of the bank, steps shall be taken by the bank to obtain the necessary security as may be approved for that purpose by the Monetary Board, within one year from the date of appointment of the person as a director.<br>b) Where such security is not provided by the period as provided in Direction 3(7)(v)(a) above, the bank shall take steps to recover any amount due on account of any accommodation, together with interest, if any, within the period specified at the time of the grant of accommodation or at the expiry of a period of eighteen months from the date of appointment of such director, whichever is earlier.<br>c) Any director who fails to comply with the above sub-directions shall be deemed to have vacated the office of director and the bank shall disclose such fact to the public.<br>d) This sub-direction, however, shall not apply to a director who at the time of the grant of the accommodation was an employee of the bank and the accommodation was granted under a scheme applicable to all employees of such bank. | Such situation has not arisen during the year 2012.<br>The automated system in place mentioned under 3(7)(i) facilitates compliance with this Direction. |
| 3 (7) (vi) | A bank shall not grant any accommodation or "more favourable treatment" relating to the waiver of fees and/or commissions to any employee or a close relation of such employee or to any concern in which the employee or close relation has a substantial interest other than on the basis of a scheme applicable to the employees of such bank or when secured by security as may be approved by the Monetary Board in respect of accommodation granted as per Direction 3(7)(v) above. | No accommodation has been granted to any employee of the Bank on more favourable terms unless under general staff loan schemes applicable to all employees of the Bank.<br>Circular instructions have been issued in this regard. |

| PRINCIPLES | | LEVEL OF COMPLIANCE |
|---|---|---|
| 3 (7) (vii) | No accommodation granted by a bank under Direction 3(7)(v) and 3(7)(vi) above, nor any part of such accommodation, nor any interest due thereon shall be remitted without the prior approval of the Monetary Board and any remission without such approval shall be void and of no effect. | Complied with.<br>Such a situation has not arisen during the year 2012. |
| **3 (8) Disclosures** | | |
| 3 (8) (i) | The board shall ensure that:<br>annual audited financial statements and quarterly financial statements are prepared and published in accordance with the formats prescribed by the supervisory and regulatory authorities and applicable accounting standards, and that<br>such statements are published in the newspapers in an abridged form, in Sinhala, Tamil and English. | Complied with. |
| 3 (8) (ii) | The board shall ensure that the following minimum disclosures are made in the Annual Report:<br>a) A statement to the effect that the annual audited financial statements have been prepared in line with applicable accounting standards and regulatory requirements, inclusive of specific disclosures. | Complied with.<br>Disclosed in the "Annual Report of the Directors on the State of Affairs of the Bank" on pages 226 to 229. |
| | b) A report by the board on the bank's internal control mechanism that confirms that the financial reporting system has been designed to provide reasonable assurance regarding the reliability of financial reporting, and that the preparation of financial statements for external purposes has been done in accordance with relevant accounting principles and regulatory requirements. | Complied with.<br>Disclosed in the "Directors' Statement on Internal Control over Financial Reporting" on page 233 of this Annual Report. |
| | c) The Assurance Report issued by the auditors under "Sri Lanka Standard on Assurance Engagements SLSAE 3050 –Assurance Reports for Banks on Directors' Statements on Internal Control" | Complied with<br>It is given on page 235 of this Annual Report. |
| | d) Details of directors, including names, fitness and propriety, transactions with the bank and the total of fees/remuneration paid by the bank. | Complied with.<br>Please refer pages 34 to 37 for details of Directors, pages 310 to 315 on Related Party Disclosures for transactions and fees and page 259 for specific amount on Directors' Fees. |
| | e) Total net accommodation as defined in 3(7)(iii) granted to each category of related parties. The net accommodation granted to each category of related parties shall also be disclosed as a percentage of the bank's regulatory capital. | Complied with.<br>Please refer page 314 |

| PRINCIPLES | LEVEL OF COMPLIANCE |
|---|---|
| f) The aggregate values of remuneration paid by the bank to its key management personnel and the aggregate values of the transactions of the bank with its key management personnel, set out by broad categories such as remuneration paid, accommodation granted and deposits or investments made in the bank. | Complied with.<br>Please refer page 310 under "Related Party Disclosures". |
| g) A confirmation by the Board of Directors in its Annual Corporate Governance Report that all the findings of the "Factual Finding Reports" of Auditors issued under "Sri Lanka Related Services Practice Statement 4750" have been incorporated in the Annual Corporate Governance Report provided that auditors confirm to the Director of Bank supervision to this effect. | Complied with at the end of this report.<br><br>Any recommendations made by the Auditor General will be dealt within 2013. |
| h) A report setting out details of the compliance with prudential requirements, regulations, laws and internal controls and measures taken to rectify any material non-compliances. | Complied with.<br>Please refer page 105 of this Annual Report. There were no material non-compliance to prudential requirements, regulations, laws and internal controls affecting the Bank. |
| i) A statement of the regulatory and supervisory concerns on lapses in the bank's risk management, or non-compliance with these Directions that have been pointed out by the Director of Bank Supervision, if so directed the Monetary Board to be disclosed to the public, together with the measures taken by the bank to address such concerns. | No such situation has arisen. |

| PRINCIPLES | | LEVEL OF COMPLIANCE |
|---|---|---|
| 3 (9) Transitional and other general provisions | | |
| 3 (9) (i) | Compliance with this Direction shall commence from January 1, 2008 onwards and all licensed commercial banks shall fully comply with the provisions of this Direction by or before January 12009 except where extended compliance dates have been specifically provided for in this Direction. | Complied with. |
| 3 (9) (ii) | In respect of the banks that have been incorporated by specific statutes in Sri Lanka, the boards as specified in such statutes shall continue to function in terms of the provisions of the respective statutes, provided they take steps to comply with all provisions of this Direction that are not inconsistent with the provisions of the respective statutes. | Bank of Ceylon has taken all possible measures to comply with all applicable provisions of this Direction that are not inconsistent with the provisions of Bank of Ceylon Ordinance No.53 of 1938 and its amendments, the enabling enactment.<br>Any non compliances and where Bank of Ceylon has continued to function in terms of the provisions of the statutes applicable to it has been specifically mentioned above against the relevant sections. |
| 3 (9) (iii) | This Direction shall apply to the branches of the foreign banks operating in Sri Lanka to the extent that it is not inconsistent with the regulations and laws applicable in such bank's country of incorporation. The branch of a foreign bank shall also publish its parent bank's annual corporate governance report together with its annual report and accounts of the branch operations in Sri Lanka. | Not applicable |
| 3 (9) (iv) | In the event of a conflict between any of the provisions of this Direction and the Articles of Association (or Internal Rules) pertaining to any bank, the provisions of this Direction shall prevail. However, if the Articles of Association of an individual bank set a more stringent standard than that specified in this Direction, such provisions in the Articles of Association may be followed. | Not applicable |
| 3 (9) (v) | If for any reason such as ill health or any incapacity as provided in the Banking Act, the Monetary Board considers that exemptions referred to in Directions 3(2)(ii)B, 3(3)(i)A and 3(3)(ii)A should not be availed of, such ground may be notified to the person by the Monetary Board, and after a hearing, the Monetary Board may limit the period of exemption. | Not applicable |

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 referred to as the General Manager in the Bank are held by two individuals. |
| Board Balance | Should identify the Independent Non-Executive Directors.<br>If a Non-Executive Director is identified as "Independent", notwithstanding the existence of any of the factors, given in the Direction the reason for such determination should be disclosed. | Independent Directors are identified as per the Banking Act Direction No.11 of 2007 on Corporate Governance for Licensed Commercial Banks in Sri Lanka issued by the Central Bank of Sri Lanka. |
| Appointment of New Directors | When new directors are appointed, the following details should be disclosed.<br>a brief resumé of each such director;<br>the nature of his expertise in relevant functional areas;<br>the names of companies in which the Director holds directorships or memberships in board committees;<br>and<br>whether such director can be considered independent. | Complied with. |
| Nomination Committee | The Chairman and members of the Nomination Committee should be identified. | Complied with. Please refer page 144 and 145 of this Annual Report for details of the Nomination & Corporate Governance Committee. |

| SUBJECT | DISCLOSURE | RESPONSE |
|---|---|---|
| Appraisal of Board performance | Should disclose how performance evaluations have been conducted. | This was carried out by completing an evaluation form and preparing a report based on the answers. |
| 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; | Pages 34 to 37 |
| | the nature of his or her experties in relevant functional areas: | Pages 34 to 37 |
| | immediate family and/or material business relationships with other directors of the Company; | Directors have confirmed that they have no such relationships. |
| | names of other listed companies in Sri Lanka in which the Director concerned serves as a director; | Pages 34 to 37 |
| | 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 34 to 37 |
| | number/percentage of board meetings of the Company attended during the year; | Page 149 |
| | names of the Committees in which the Director serves as the Chairman or a member; and | Page 149 |
| | number/percentage of committee meetings attended during the year. | Page 149 |
| Disclosure of Remuneration | A Statement of Remuneration Policy and details of remuneration of the Board as a whole. | Please refer page 142 for information on Remuneration Policy. Please refer page 259 for remuneration of the Board for year 2012. |
| 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 page 139. |
| | 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 & 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. |

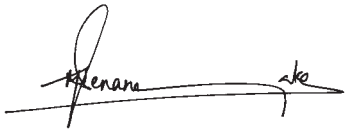
| SUBJECT | DISCLOSURE | RESPONSE |
|---|---|---|
| Going Concern | Should report that the Company is a going concern, with supporting assumptions and qualifications as necessary. | Complied with. |
| Members of Remuneration Committee | The names of members of Remuneration Committee should be disclosed in the Remuneration Committee Report | Complied with.<br>Names of the Members of Remuneration Committee are given in the Human Resources and Remuneration Committee Report on page 142 of this Annual Report. |
| Directors Report | Should contain the following declarations made by the Directors<br>• The Company has not engaged in any activities, which contravenes laws and regulations;<br>• The Directors have declared all material interests in contracts involving the Company and refrained from voting on matters in which they were materially interested;<br>• The Company has made all endeavours to ensure the equitable treatment of shareholders;<br>• The business is a going concern with supporting assumptions or qualifications as necessary; and<br>• 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.<br>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.<br>• Auditors should also have a statement about their reporting responsibility | Complied with. Refer pages 236. |

| SUBJECT | DISCLOSURE | RESPONSE |
|---|---|---|
| Management Report | Should include a 'Management Discussion and Analysis Report' discussing at least the following issues:<br>- industry structure and developments;<br>- opportunities and threats;<br>- risks and concerns;<br>- internal control systems and their adequacy;<br>- social and environmental protection activities carried out by the Company;<br>- financial performance;<br>- material developments in human resources/industrial relations; and<br>- prospects for the future. | Complied with. Please refer pages 54 to 93 |
| 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 by this exercise. |
| Audit Committee Report | Should set out the work carried out by the Committee. | Complied with. Please refer pages 139 to 141. |

## Confirmation of the Board of Directors that all the findings of the Auditor General have been incorporated in the Corporate Governance Report

The Board of Directors confirms that all the findings of the "Factual Findings Report" of the Auditor General issued under "Sri Lanka Related Services Practice Statement 4750" have been incorporated in this Corporate Governance Report.
The Auditor General has confirmed to the Central Bank of Sri Lanka to this effect.

By order of the Board



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

18th April 2013
Colombo

# Board & Board Subcommittees

## Board of Directors

- **Dr. Gamini Wickramasinghe***
  (Chairman)
  Independent Non - Executive Director
- **Mr. S.R. Attygalle**
  Non - Executive Ex officio Director
- **Mr. Raju Sivaraman**
  Independent Non - Executive Director
- **Ms. Nalini Abeywardene**
  Non - Executive Director
- **Mr. Chandrasiri de Silva**
  Non - Executive Director
- **Mr. K.L. Hewage**
  Independent Non - Executive Director
- **Mr. V. Kanagasabapathy****
  Non - Executive Alternate Director to Mr. S.R. Attygalle, Ex officio Director

## Board Subcommittees

### Audit Committee

Chairman
Mr. V. Kanagasabapathy**
(Alternate Director to Mr. S.R. Attygalle)

Members
Mr. Raju Sivaraman
Mr. K.L. Hewage

### Human Resources & Remuneration Committee

Chairperson
Ms. Nalini Abeywardene

Members
Mr. Raju Sivaraman
Mr. Chandrasiri de Silva
Mr. K.L. Hewage

### Nomination & Corporate Governance Committee

Chairman
Mr. Raju Sivaraman

Members
Mr. S.R. Attygalle
(or his Alternate Director Mr. V. Kanagasabapathy**)
Mr. K.L. Hewage

### Integrated Risk Management Committee

Chairman
Mr. V. Kanagasabapathy***
(Alternate Director to Mr. S.R. Attygalle)

Members
Mr. Raju Sivaraman
Mr. K.L. Hewage

* Dr. Gamini Wickramasinghe has resigned with effect from 08th January 2013 and Mr. Razik Zarook has been appointed as Chairman with effect from 09th January 2013.

** Mr. R.M.A. Ratnayake has been appointed as Alternate Director to Mr. S.R. Attygalle, the Ex officio Director with effect from 30th January 2013 in place of Mr. V. Kanagasabapathy and he functions as the Chairman of the Audit Committee with effect from 30th January 2013.

*** With Mr.V. Kanagasabapathy ceasing to be the Alternate Director to the Ex officio Director, Mr. S.R. Attygalle participates at the Integrated Risk Management Committee Meetings as its Chairman.

# AUDIT COMMITTEE REPORT

## Roles of the Committee

The Audit Committee functioned in terms of the Audit Committee Charter approved by the Board which is regularly reviewed and updated.

The main roles and responsibilities, which are clearly identified in the Charter of the Audit Committee, include inter alia; the following -

- Reviewing the financial information of the Bank in order to monitor the integrity of the Bank's financial statements, its annual report, accounts etc.
- Monitoring, reviewing and evaluating the adequacy and effectiveness of the Bank's internal audit function.
- Reviewing the internal audit reports, external audit management letters and subsequent follow up audits together with Management's responses to them.
- Evaluating the adequacy and effectiveness of internal controls.
- 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.
- Regularly update the Board about Committee activities and make appropriate recommendations.

## Composition and Quorum

The Audit Committee comprises three Non-Executive Directors of the Board.

The following Directors served as the members of the Committee during the year under review -

*Mr. V Kanagasabapathy
- Chairman
(Alternate Director to Mr. S R Attygalle, Ex officio Director)

Mr. Raju Sivaraman

Mr. K L Hewage

*Mr.V. Kanagasabapathy, Alternate to Ex officio Director ceased to be the Chairman of the Committee with his departure from the Ministry of Finance & Planning on his retirement from the Government service and
Mr. R M A Ratnayake, new Alternate to Ex officio Director was appointed as the Chairman of the Committee from 30th January 2013.

According to Banking Act Direction No. 11 of 2007 on Corporate Governance for Licensed Commercial Banks issued by the Central Bank of Sri Lanka (CBSL), the Chairman of the Audit Committee should be independent and hold qualifications and experience in accountancy and/or audit. During the year under review, Bank of Ceylon used the services of Mr.V. Kanagasabapathy, a Chartered Accountant with experience in the fields required who was the Alternate to Mr. S.R. Attygalle, Ex officio Director. Mr. R.M.A.Ratnayake, a Class 1 Member of the Sri Lanka Accountants' Service and a Fellow member of the Institute of Public Finance Accountants of Sri Lanka, who is also the new Alternate to Mr. S.R. Attygalle, Ex officio Director, functions as the Chairman, Audit Committee from January 2013. Mr.Kanagasabapathy and Mr. Ratnayake cannot be considered Independent Director in terms of the definition given for an Independent Director in the said Direction as they represent 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 No.53 of 1938 and its amendments, the Bank has resorted to the above measure in the best interest of the Bank. CBSL has approved of this arrangement. Despite ceasing to be the Alternate Director, Mr. Kanagasabapathy on the invitation extended to him by the Board assisted the Committee in finalizing the audit of the financial statements of the Bank under new accounting standards, which was closely followed up during his tenure as Chairman, Audit Committee.

The wide range of experience brought to the Committee from positions held by the members can be seen from the Directors' biographical details appearing on pages 34 and 37 of this Annual Report.

The quorum of the Committee is two members.

The General Manager, a representative of the Auditor General (External Auditor of the Bank), the Chief Internal Auditor and the Chief Financial Officer of the Bank are present at the meetings. A Partner from M/s. Ernst and Young, Chartered Accountants who were the external auditors appointed by the Auditor General to assist him in the annual audit of the consolidated financial statements of the Bank and its subsidiaries for the year 2012 was also present for the meetings subsequent to their appointment.

The other members of the Management and other staff members of the Bank are invited to attend the meetings when the Committee requires their presence. The Secretary, Bank of Ceylon/Secretary to the Board functions as the Secretary to the Committee.

## Meetings and Activities

The Committee met 14 times during the year under review. The attendance of Committee members at meetings is given in the table on page 149. For all these meetings due notice together with details/memoranda for discussion were made available.

The Committee carried out the following activities during the year under review –

### Internal Audit

Internal Audit of the Bank is carried out by the Internal Audit Division headed by the Chief Internal Auditor in terms of the Charter which is regularly reviewed and updated by the Committee.

- Effectiveness of the implementation of the Internal Audit Plan for year 2012 was monitored by way of regular reports and appropriate follow up action were taken where necessary.
- Reviewed significant internal audit findings and Management's responses thereto with a view to taking timely corrective action to avoid recurrence in future and to ensure that internal controls are effective.
- Developed the Internal Control Matrix for year 2012 in order to support the internal control certification process.
- Submitted an updated Internal Audit Manual which provides the basic framework for internal audit function of the Bank.
- Approved the Audit Plan of the Internal Audit Division for year 2013.
- Reviewed investigation reports and necessary internal controls were strengthened/introduced.

### External Audit

External Audit is carried out by the Auditor General in terms of the Constitution of the country who was assisted by M/s Ernst and Young, Chartered Accountants during the year 2012.

- Reviewed the report of the Auditor General to the Parliament of Sri Lanka on the accounts of the Bank for the year ended 31st December 2011, Management Letter, Management's responses thereto and followed up on the corrective measures taken by the Bank to avoid recurrence of the issues highlighted.
- Reviewed the responses submitted to the Parliamentary Committee on Public Enterprises by the Management on the matters referred to in the Auditor General's aforesaid Report.
- Reviewed the quarterly reports submitted to CBSL on the Statutory Examinations carried out by CBSL and followed up on outstanding issues.
- A meeting with the Auditor General was held with the participation of the qualified Auditors appointed to assist him in the audit of the Consolidated Financial Statements of Bank of Ceylon and its subsidiaries for the year ended 31st December 2012 to discuss and finalise the nature and scope of audit in compliance with the Banking Act Direction No.11 of 2007 on Corporate Governance issued by CBSL.

### Financial Reporting

- Reviewed and recommended the adoption by the Board of the Consolidated Accounting Policies under the new Accounting Standards viz. Sri Lanka Financial Reporting Standards (SLFRS) and Lanka Accounting Standards (LKAS).
- Assisted the Board in ensuring that annual audited financial statements and quarterly financial statements are prepared and published in accordance with the requirements prescribed by the supervisory and regulatory authorities and applicable accounting standards.

  This year being the first time financial statements are prepared in accordance with the new Accounting Standards (SLFRS and LKAS), the Committee took the initiative, deliberated and followed up the preparation and presentation of the financial statements under these standards. The services of a firm of consultants were obtained to assist the Bank in this process.

  A special unit was established under the Chief Financial Officer to carry out this task. New qualified accountants were recruited and deployed in this unit to strengthen the process and to bring in professionalism. Progress was closely monitored and reviewed by the Committee.
- Reviewed the necessity to introduce checks and balances available in the Bank with new Accounting Standards.
- Reviewed quarterly financial statements for publication.
- Reviewed relevant Corporate Governance compliances.

### Awareness Programmes

- Facilitated training programmes on Treasury Audits, implementation of new Accounting Standards, Islamic Banking operations, etc. for the Internal Audit staff.

### Supervision and audit of Subsidiaries & Associates of Bank of Ceylon

- In order to strengthen the group performance, a follow up meeting was held with the Directors and Chief Executive Officers of subsidiaries and associates to discuss their performance, based on the Subsidiaries Management Charter.
- Introduced a Policy on Internal Audit of the Subsidiaries as a basis for assistance in their internal audit functions.
- With a view to strengthening the group performance, assessed the performance of the subsidiaries and associates on quarterly basis highlighting any issues of concern and action that has to be taken to rectify them.

### Other activities

- Reviewed/revised Policies on Conflict of Interest and Related Party Transactions.
- In order to enhance the professionalism, facilitated the appointment of qualified Chartered Accountants to both Internal Audit and the Finance & Planning Divisions.
- Reviewed the Islamic Banking Operations and recommended adopting the Manual of Islamic Banking Operations.

### Minutes/Reporting to the Board

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

### Procedure for Complaints

The Committee reviewed the reports submitted based on the Whistle – Blower Policy which was in place during the year under review indicating procedure for the receipt, retention and treatment of complaints received by the Bank regarding accounting, internal controls and audit matters etc.

### Conclusion

The members of the Audit Committee collectively evaluated the performance of the Audit Committee, Chief Internal Auditor and the Internal Audit function of the Bank. 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. The Audit Committee regularly reviews the adequacy of the internal controls of the Bank.

Statement on Internal Control by the Directors and Auditor General's report on it is given on page 233 to 235 of this Annual Report. Accordingly, the Committee is of the view that necessary checks & 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.

The Committee also wishes to place on record an appreciation for Mr. V. Kanagasabapathy, former Chairman of the Audit Committee for the tremendous contribution made by him in improving the Audit Committee activities to bring it to a very high standard and thus giving comfort to the Board on matters coming under the Committee.

**R M A Ratnayake**
Chairman
Audit Committee

21st March 2013
Colombo

## HUMAN RESOURCES & REMUNERATION COMMITTEE REPORT

### Roles of the Committee

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

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

In the Bank, the Directors, GM, Deputy General Managers (DGMs) and members of staff in the allied grade are considered as KMP.

### Composition and Quorum

The Committee comprises of four members of the Board. The Chairperson of the Committee is a Non-Executive Director.

The following Directors served as the members of the Committee during the year under review -

Ms. Nalini Abeywardene
- Chairperson

Mr. Raju Sivaraman

Mr. Chandrasiri de Silva

Mr. K.L. Hewage

The quorum of the Committee is two members. The GM is present at all meetings except when matters relating to the GM are discussed. The 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 & Activities

The Committee has met 5 times during the year under review. The attendance of members at meetings is given on page 149. All minutes of the Committee meetings are tabled and ratified at meetings of the Board and approval of the Board thus is obtained for implementation of the recommendations made by the Committee. Follow up action is taken on outstanding matters on a regular basis.

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

The remuneration of employees is revised once in 3 years with the approval of the Minister in charge of the subject of Finance in accordance with the provisions of the said Bank of Ceylon Ordinance. Prior to finalizing the salaries of the Senior Management (viz. GM, DGMs and Assistant General Managers), the Committee deliberates on the proposals and makes its recommendation. In year 2012, this matter was discussed and the Committee recommended that the final approval be obtained from the Board.

Goals and targets for GM and DGMs are embodied in the rolling Corporate Plan and Action Plan. The GM is responsible for the implementation of the Corporate Plan through the DGMs. With regard to evaluating their performance the procedure adopted in the Bank is for the GM to evaluate the DGMs based on the achievements on the Action Plan and report to the Board for their evaluation. Targets for Directors are not given since all the Directors are Non-Executive.

In this year, the Committee recommended to the Board the adoption of the following policies -

- Training and Development Policy
- Appeal Policy and Procedure
- Reward and Recognition Policy
- Policy to decide the number of vacancies available before calling for applications for a particular grade

The Committee also required to do a comprehensive analysis with regard to the recruitment of external Management Trainees using the data base of the applications received for the last round of recruitment for Management Trainees and to update the qualifying examination and the eligibility criteria to best suit the Bank.

The Committee reviewed the evaluation criteria for promotion to the grade of Deputy General Managers and Assistant General Manager and the finalized criteria are being re evaluated.

## Conclusion

The Committee shall continue to assist the Board in its oversight responsibilities in regard to human resource and remuneration matters.

**Nalini Abeywardene**
Chairperson
Human Resources & Remuneration Committee

21st March 2013
Colombo

## NOMINATION AND CORPORATE GOVERNANCE COMMITTEE REPORT

### Roles of the Committee

The Committee is mainly responsible for the following:

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

### The Composition of the Committee

The Committee comprises of three members of the Board. The Chairman of the Committee is a Non-Executive Independent Director.

The following Directors served as members of the Committee during the year under review -

Mr. Raju Sivaraman
- Chairman

Mr. S R Attygalle

Mr. K L Hewage

GM attends 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 5 times during the year under review. The attendance of Committee Members at meetings is given on page 149. All minutes of the Committee meetings are tabled and ratified at meetings of the Board and approval of the Board thus is obtained for implementation of the recommendations made by the Committee. Follow up action is taken on outstanding matters on a regular basis.

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

During the year under review the Committee carried out the following activities –

- Reviewed the authorities delegated by the Board of Directors of Bank of Ceylon to the Management at the request of the Board and its recommendations.
- Reviewed and suggested improvements to the existing procedure for selection of senior management.
- Reviewed the suggested new organization structure and suggested carrying out improvements to it. This matter is being studied and followed up.
- Recommended the new Performance Potential Appraisal System.

- Reviewed the outcome of the Competency Development Training Programme, part of which has now been successfully completed which was initiated by this Committee to fill the knowledge gap of staff members who would come up in the ladder for senior management positions.
- Recommended the reviewed job profiles of the Corporate Management who form part of KMP where the qualifications and key attributes for those positions were detailed.
- Reviewed the code of Ethics for Directors and Employees. Recommended revising the Code of Ethics of employees encompassing new thinking relevant to modern day banking.
- Facilitated the Board in carrying out its self evaluation exercise including that of the subcommittee performance by recommending the evaluation process to be carried out and also by preparing the report on the self assessment.
- Determined the level of compliance with the aforesaid Banking Act Direction No. 11 of 2007 with a view to complying with them.

## Conclusion

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

**Raju Sivaraman**
Chairman
Nomination & Corporate Governance Committee

21st March 2013
Colombo

## INTEGRATED RISK MANAGEMENT COMMITTEE REPORT

### Roles of the Committee

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

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

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

### COMPOSITION AND QUORUM

The Integrated Risk Management Committee comprised of three Non-Executive Directors of the Board at the end of year 2012. They are as follows -

Mr. S R Attygalle
- Director / Chairman of the Committee

(In his absence Mr.V. Kanagasabapathy,* Alternate to Mr. S.R. Attygalle)

Mr. R Sivaraman
- Director

Mr. K L Hewage
- Director

Mr. K Dharmasiri*
- General Manager

Mr. M L J Fernando
- Acting Chief Risk Officer

*Mr. V Kanagasabapathy chaired the meetings during the year under review and ceased to be the Alternate to Ex officio Director from January 2013. Mr. K. Dharmasiri, retired from the Bank's service from January 2013. Mr. D.M. Gunasekara, the current General Manager is now a member of the Committee.

The details of the Committee members appear on pages 34 to 37 of this Annual Report.

The quorum of the Committee is two members.

The Secretary, Bank of Ceylon/Secretary to the Board functions as the Secretary to the Committee. The other members of the staff are invited to attend the meetings when the Committee requires their presence.

## Meetings and Activities

The Committee met 5 times during the year under review. The attendance of Committee members at meetings is given in the table on page 149.

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

- Reviewed the following policies and manuals and the risk profile of the Bank was assessed based on them -
  - (a) Credit Risk Management Policy
  - (b) Market Risk Management Policy and Manual
  - (c) Operational Risk Management Policy and Manual
  - (d) Stress Testing Policy
- The Independent Integrated Risk Management Division of the Bank assessed the risks of the Bank on a monthly basis and summary reports were submitted before the Committee on a quarterly basis. The Committee reviewed them and submitted its recommendation to the Board immediately through minutes of the meeting and specific recommendations. Instructions were given to improve reporting on the area of risks attached to major strategies incorporated in the Corporate Plan.
- Monitored quantitative and qualitative risks which have gone beyond the limits and made the necessary recommendations.
- Necessary actions were recommended on specific quantitative and qualitative risks which were beyond limits and reported to the Committee by the Acting Chief Risk Officer.
- Followed up on the arrangements that are at an advanced stage to purchase a state-of-the-art risk management system for managing credit, operational and market risks and also an Anti Money Laundering Software Solution.
- Revised the Compliance Policy of the Bank.
- Reviewed quarterly the comprehensive Compliance Reports submitted by the Compliance Officer. Improvements to the report were suggested and are to be incorporated to give a better satisfaction to the Board that all compliances have been met.
- Recommended to strictly comply with the Credit Approval Format and Credit Scoring Models for retail customers.
- The Dividend Policy was approved in principle.
- Followed up on the upgrading of the Core Banking System to suit current needs of the Bank.
- Reviewed the implementation of 5S System/Quality Circle for all operational departments which is in progress.
- Followed up on the activities to assist the Subsidiaries and Associates in their risk management. In the process, ensured that guidelines on risk appetite and limit setting were made available to all Nominee Directors of the Subsidiaries and Associates.
- Followed up on the activities of the Management Level Committees through reports submitted by the Acting Chief Risk Officer who participated at these Committees, to review the adequacy and effectiveness of all Management Level Committees.
- Invited the Head of Investment Committee to give an opinion on strategies adopted by the Bank in making investments and this is to be carried out on a quarterly basis.
- The Internal Capital Adequacy Assessment Process of the Bank was approved in principle.

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

## Conclusion

The members of the Integrated Risk Management Committee collectively evaluated the performance of the Committee. The Committee is of the view that the Bank has made a satisfactory progress towards meeting the challenges of risk management and compliance, complying with international standards.

The Committee wishes to place on record an appreciation for Mr. V. Kanagasabapathy, who chaired the meetings during the year under review, for his invaluable contribution towards the improvement of risk management practices of the Bank.

**S R Attygalle**
Chairman
Integrated Risk Management Committee

21st March 2013
Colombo

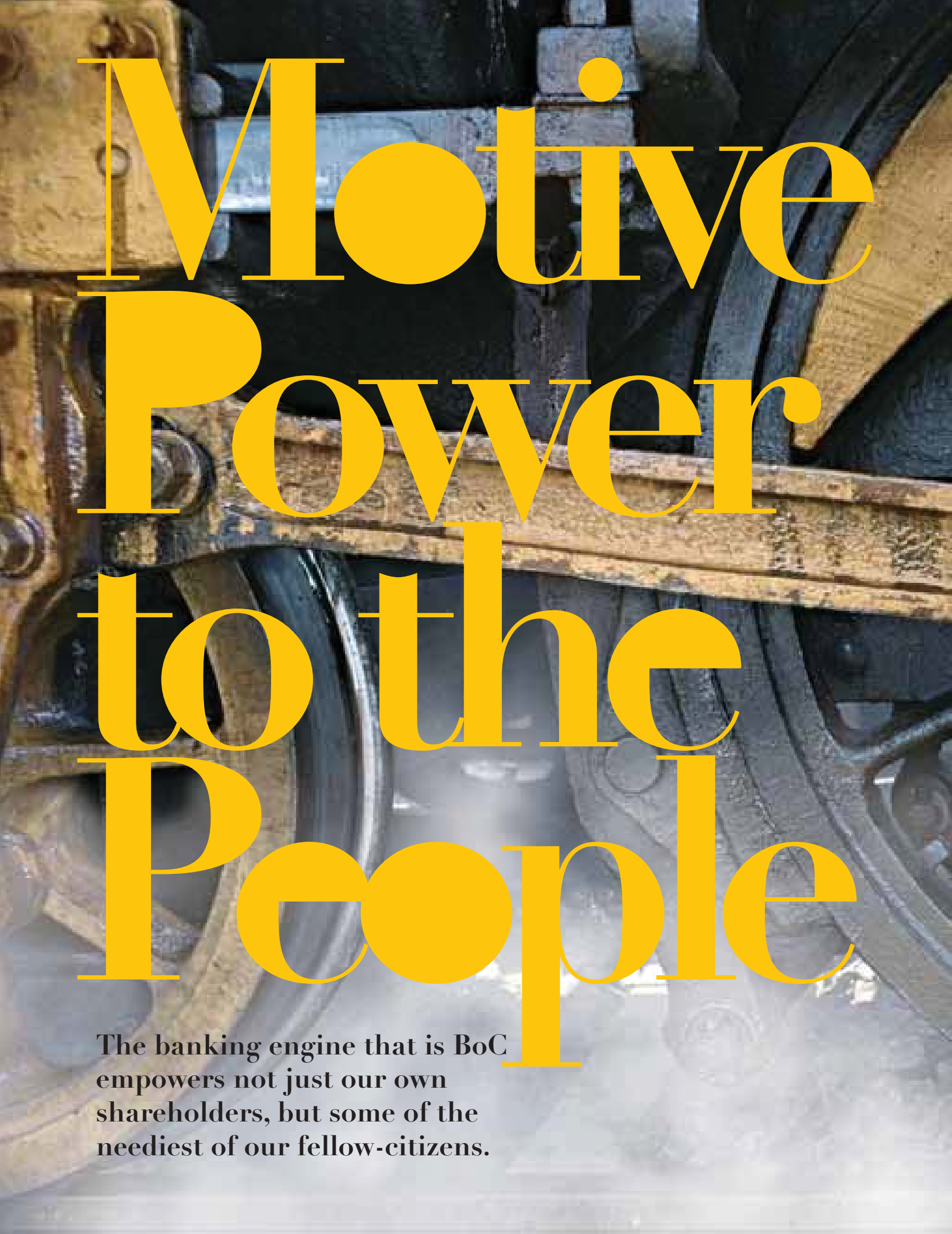
## ATTENDANCE OF DIRECTORS AT BOARD & SUBCOMMITTEE MEETINGS FOR 2012

| | Main Board | Audit Committee | Human Resources & Remuneration Committee | Nomination & Corporate Governance Committee | Integrated Risk Management Committee |
|---|---|---|---|---|---|
| No.of Meetings held | 29 | 14 | 5 | 5 | 5 |
| Names of Directors | No. Attended | No. Attended | No. Attended | No. Attended | No. Attended |
| Dr.Gamini Wickramasinghe | 29 | | | | |
| Mr.S.R.Attygalle | 23 | | | 1 | |
| Mr.R. Sivaraman | 25 | 12 | 5 | 5 | 5 |
| Ms.Nalini Abeywardene | 25 | | 5 | | |
| Mr.Chandrasiri de Silva | 26 | | 5 | | |
| Mr.K.L.Hewage | 26 | 13 | 5 | 5 | 5 |
| Mr.V.Kanagasabapathy (Alternate Director to Mr.Attygalle) | 5* | 14 | | | 5 |

Key

Not a member of the Committee

* Mr. Kanagasabapathy atended on invitation for 2 out of the 5 Board meetings



# Motive Power to the People

**The banking engine that is BoC empowers not just our own shareholders, but some of the neediest of our fellow-citizens.**

# Sustainability Report

## The Story : Growing Together

Last year, our sustainability focus was on 'Reaching Out'. Reaching out, to the customers- the most important stakeholder segment- the community, country's periphery, our team, the national economy , the environment and the future.

One year after, we are now focusing on 'Growing Together'. The premier national Bank- Bankers to The Nation- is growing together, with its customer base, the community at large, particularly the less developed periphery, our team of achievers, the national economy and of course the environment in which we operate. The essence in this report is our togetherness with our stakeholders and the playing field in all its diversity.

Growing together means a lot to us. We are growing together with our customers. We mean their asset base, capacities, skills, entrepreneurship, bottom line and sustainability focus. The lowest rung on the social ladder are growing in to Micro-Finance (MF) clients. Dedicated, upwardly mobile MF customers are moving in to the SME sector. SMEs are progressing along as large-scale businesses, creating assets, value and a vast network of employment avenues and at the same time falling in line with environmental guidelines and decent labour practices.

It is the same scenario with the community. We are empowering the community by providing financial services at the periphery, both urban and rural; through our MF platform; our commitment to the nation's future; and our CSR activities.

The economy grows with us. We are a robust contributor to the national economy, increasing our share with each passing year.

Not forgetting our team, who are growing with us. Their skills and attitudes, commitment and dedication, knowledge and expertise keeps on growing.

## The story unfolds.....

## About this Report

This sustainability report has been prepared going by the Global Reporting Initiative (GRI) frame-work and guidelines, our fourth attempt under GRI guidelines, which is the widely accepted global framework for sustainability reporting. The report also incorporates G-3.1 sustainability indicators and financial sector supplements that outlines and draws report contents, content quality and reporting boundaries. It is intended for use by our stakeholders, the Sri Lankan community, academics and multi-lateral agencies and initiatives interested in economic, social and environmental impacts of our operations. The report is also available at our web site www.boc.lk.

## Reporting period

The report covers the period 1st January 2012 to 31st December 2012.

## Date of the most recent previous report

Previous report covering the period 1st January 2011 to 31st December 2012 was issued in March 2012.

## Reporting cycle

BoC publishes the sustainability report annually as a part of its Annual Report.

## Contact point for clarifications regarding the report

In the event of any questions/clarifications regarding this report, readers are invited to contact the Financial Accounting Unit at 10th Floor, BoC Head office, Colombo 01.

Contact telephone No : 2471615
E-mail address : fau@boc.lk

## Report boundary

The report covers the Bank and does not extend to cover subsidiaries and associates. The Bank's overseas operations have not been considered for reporting. In the Bank's opinion, subsidiaries and associates have their own identity and do not have a substantial impact on the Bank's sustainability focus and results. However, financial data in terms of total revenue, profit after tax reflect the total Bank performance.

## Defining report content

Based on the expectations and interests of our stakeholders and our vision, mission and maturity of over 73 years, we have decided on selected topics and GRI performance indicators that would be reported which are presented in a five-pronged approach on sustainability. The selected topics have significant economic, social and environmental impact and a high level of stakeholder engagement.

- The customer base
- The community
- The team
- The economy
- The environment

"Growing together means a lot to us. We are growing together with our customers, by which we mean their asset base, capacities, skills, entrepreneurship, bottom line and sustainability focus."

## THE ISSUE OF MATERIALITY

The selected topics grouped under the five dimensions and indicators reflect our significant footprints in economic, environmental and social performance and addresses stakeholder concerns and expectations. The report content is prioritised by the following key elements which in our belief, is crucial in our quest for sustainable development.

- Outreach expansion not only in a geographical sense, but also to encompass demographical diversity.
- Customer-friendly financial products and services focused at different customer/market segments(i.e- micro-finance, SMEs, professionals, Islamic banking, mobile payment systems, personal banking and premier banking)
- Financial inclusiveness through barefoot banking: transforming the so-called non-bankable lower rung in the society as a satisfied customer base on an equal footing with the rest of the others.
- Conservation and protection of the fragile environment and eco-systems through organic farming, green investments, partnerships with like-minded entities, energy conservation, effective effluent management and recycling practices etc.
- Team building with transparent human resource practices, career path and skill development, work-life balance and defined benefit plans
- Community engagements in health care, national heritage, cultural diversity, sports and leisure, education based initiatives and social harmony.
- Investing in the country's future- children and the youth

### Data Measurement

Quantitative information in the report has been extracted from several sources.

- Bank's periodical
- On-line core banking system
- Data available/collected by different units/divisions within the Bank
- Data available at outside agencies (e.g: Central Bank of Sri Lanka)

The margin of error in the quantitative data as a whole does not exceed 5% and substantially influences reported results/performance.

### Significant changes from the previous reporting in the scope, boundaries and data measurement

In presenting comparative data on labour practices this year we have considered gender-wise break-down across the board whereas previously it was confined only to the extent of specifically gender sensitive information.

A team profile chart was introduced to display all mandatory disclosures/ indicators on labour practices in one reader-friendly table.

This year there are clear cut demarcations in reporting under different stakeholder segments and reported topics. Whenever a topic traverses across two or more segments (e.g: outreach expansion) it is reported under the segment where the impact is mostly felt.

### External assurance

BoC itself declares a reporting level of 'B' on this report which is checked and assured 'B+' by BDO Partners, Chartered Accountants and a member of BDO International Limited.

## STAKEHOLDER ENGAGEMENT

Identifying our stakeholders and their relationship

### Shareholder-owner- The Government of Sri Lanka

The Government of Sri Lanka (GoSL) is the sole shareholder-owner on behalf of the general public. GoSL appoints the Board of Directors which in turn is guided by the Ministry of Finance. GoSL expects the Bank to appropriate adequate returns for its investment commensurate with the Bank's bottom line, through periodical dividends.

On a broader context, GoSL also expects that its national economic development initiatives would be supported by the Bank through provision of financial services to the target communities/ customers.

### Customers

The expectation level of this stakeholder segment is a rewarding relationship based on speed of service delivery, confidentiality and service excellence. As this is a highly diverse stakeholder segment, it calls for compartmentalised delivery methodologies.

### Employees

The team expects equal opportunity, career path development, competitive remuneration policy and work-life balance plans that would in the end ensure more than just a work place environment.

### Suppliers

Supply line expectations revolve around quality, transparent sourcing mechanism and capacity building.

### Regulators

Central Bank of Sri Lanka (CBSL), Securities and Exchange Commission and other regulators are concerned with risk management, opportunities and controls.

### Fund providers

External fund providers and debenture holders expect prudent use, adherence to covenants, best business practices, transparent transaction process and pay-back timelines.

### Community

The Sri Lankan community's perception of the Bank is larger than life. The expectation level is therefore high and corners around a dominant role not only as a service provider but extends to cover social responsibility initiatives on health-care, education, national heritage, environmental activism, cultural and religious diversity and social harmony.

## STAKEHOLDER ENGAGEMENT PROCESS

| Stakeholder group and engagement focus | Level of engagement and process | Frequency/timeline |
|---|---|---|
| **Customers**<br>The focus is on exceeding customer expectation levels through;<br>• Customer need/perception identification<br>• Taking care of vulnerable customer segments - the under privileged, senior citizens and the differently-abled by providing tailor-made products and easy access<br>• Business process simplification, customer facility upgrading, harmonising internal layout at delivery points with a customer- centric focus<br>• Capacity development and empowerment of vulnerable customer segments | • Written communication and response<br>• Electronic mail/SMS<br>• Message delivery with month-end statement<br>• Customer complaint/suggestion boxes at delivery points<br>• Customer meetings/seminars<br>• Interaction with different customer groups- i.e: Industry chambers<br>• Door step visits<br>• Whistleblower process<br>• Segmental customer/sector surveys<br>• Convenient facility for differently-abled customers<br>• Customer capacity development workshops | This is an on-going process with specific engagements and pre-arranged schedules |

| Stakeholder group and engagement focus | Level of engagement and process | Frequency/timeline |
|---|---|---|
| **Employees and trade unions**<br>We have moved away from the traditional workplace concept. Our aspiration is to be the best employer of the best team in the country.<br>• Transparent recruitment process, assignment policy and results oriented career development planning<br>• Mutually agreed performance goal setting, continuous assessment against agreed goals and scoring system for performance/behaviour/future potential.<br>• Planned training and skill development both local and international on different career paths<br>• Soft-skill development, language and IT literacy<br>• Defined benefit plan<br>• Facilities for cultural, social and religious groupings, leisure facilities, workplace safety and health care<br>• Trade unions as partners in way forward with recognition, representation, collective bargaining and industrial harmony | • Staff meetings at unit/division level<br>• Internal circulars<br>• In-house newsletter/magazine<br>• Whistleblower policy<br>• One-to-one meetings with trade unions<br>• Performance review forums<br>• Transfer boards and other employee representative mechanisms<br>• Training programmes<br>• Building up core-competencies<br>• Sustaining industrial peace<br>• HR policy committee<br>• Scholarship committee | • Unit level meetings and performance review on weekly/ monthly basis<br>• Training programmes on pre-arranged timelines<br>• Engagement with trade unions on an on-going basis |
| **The Government**<br>Align and co-ordinate the Bank's strategic business plan and corporate goals with the Government's national development frame-work and initiatives.<br>• Active participation in national development initiatives including strategic investments in key areas | • Frequent meetings with Ministry of Finance and Planning<br>• Meetings with other Government ministries and departments<br>• Review sessions on development initiatives | • On request |
| **Regulators**<br>• Comply with regulations, guidelines and indicators initiated by CBSL, Ministry of Finance and Planning, Colombo Stock Exchange (CSE), Basel II initiative and other regulators<br>• Comply with Sri Lankan Accounting Standards set by the Institute of Chartered Accountants of Sri Lanka.<br>• Adhere and promote good governance practices<br>• Board and management commitment and assurance | • Periodic review sessions conducted by CBSL<br>• On-site visits to assure compliance<br>• Compliance officer at head office to liaise with the regulators | • This is an ongoing process. |

| Stakeholder group and engagement focus | Level of engagement and process | Frequency/timeline |
|---|---|---|
| **Fund providers and multi lateral lending agencies**<br>Adherence to terms, conditions and covenants under multi-lateral agreements<br>Disclosure of financial position (Interim/annual reports)<br>Submit compliance certificates in line with contractual obligations<br>Periodic review (one-on-one and group based) with funding agencies focusing on progress/obligations/ remedial action | Performance review of programmes/ initiatives<br>Submission of financial reports | Periodical meetings with fund providers on need basis |
| **Suppliers**<br>Creating and engaging a viable local supply chain | Registration and review of suppliers<br>Public notices in print media<br>Physical presence at the opening of tenders<br>Site visits | Registration- every two years<br>Other aspects-on going |
| **Community**<br>Community investments in infrastructure<br>Community awareness initiatives<br>Participation in religious/cultural/sports/social activities | Pre-arranged community meetings<br>Community development initiatives<br>Voluntary social engagements<br>Feedback from community | On-going basis |

## KEY TOPICS THAT HAVE ARISEN THROUGH STAKEHOLDER ENGAGEMENT

| Stakeholder concern | Our response |
|---|---|
| **Customer service excellence**<br>Consequent to the customer perception survey undertaken in 2011, this year saw the introduction of customer service excellence workshops across the branch network with enthusiastic response and active participation of our team. Team members in their feedback on the programme have identified several constraints that hinder effective customer care. | Customer service excellence workshop will continue in 2013 as well incorporating the feedback, ideas/suggestions brought up by the team. |
| **Government as a stakeholder**<br>The Government has initiated several development programmes focused at grass root level socio-economic development. These include the North-East development drive, dairy sector empowerment, fisheries sector capacity enhancement and poverty alleviation etc. Some of these programmes are coordinated by the Regional Development Division of the Central Bank of Sri Lanka while line ministries handle the programmes relevant to them. | We are in the forefront of Government-led development initiatives. Our outreach results in social mobilisation, micro-finance and small farmer credit is unmatched by anyone else. |

# The Chairman's Statement

We are living and carrying out business in a turbulent world. Issues that challenge us are in a never ending cycle with rapid population growth and steady urbanisation, global warming and ice-cap meltdown, dwindling forest cover and expanding built-up lands, erratic climatic changes and threatened eco-systems. In a separate dimension, social discrimination in terms of ethnicity, gender, financial strength and hierarchical status negates the notion of balanced economic development and social harmony.

The effect of globalisation has reached our doorstep. In today's world, no one is immune from it. There are no isolated communities, enclaves or societies that can defy and ignore globalisation. Countries, societies and systems are inter- connected in a myriad pattern where a minor hiccup would cause a ripple effect.

This backdrop invites us to think afresh. How are we to get on with our lifestyles and businesses. And for how long ? Where should we draw the line ?

The only viable answer we have is sustainable development. It is the future and it should be the present. No other arguments. Period.

Sustainability is: a capacity, a potential, an ability rather than a given fact; the capacity of the organization to fulfill its mission and reach its vision; more than survival: growth, development, impact; two fundamental issues: the problem of environment degradation that so commonly accompanies economic growth and the need for such growth to alleviate poverty.

Sustainable development is a two-way street, that involves two interconnected dimensions, ie. sustainability and development. The development part of it covers **the people** in terms of education, health-care and equal opportunity, **economy** in terms of wealth creation, productivity and consumption and **society** in terms of social capital, states and regions. Simultaneous with the development, there are three dimensions that should be sustained, namely, **nature** (earth, bio-diversity and eco-systems), **life support** (eco-system services, resources and environment) and **community** (cultures, groups, and places)

Our Bank has formulated its corporate goals, mid-term strategy and operational policy to align with the sustainable development frame-work, **meeting the needs of the present without compromising the ability of future generations to meet their needs.**

In this quest the Bank is answerable to its stakeholders, a diverse lot consisting of the shareholder-owner, customer base, employees, suppliers, regulators and service providers and the Sri Lankan community. Yes. It is more so considering the fact that we are the biggest and the most wide-spread financial service provider in the country.

**This whole exercise calls for a dedicated, skilled and motivated team. Over the years, we have built and nurtured this team- the best team of achievers.**

We believe in sustainable development not only along its three major dimensions, i.e, society, economy and the environment - also called the triple bottom line- but the cultural dimension espoused by indigenous populations, ethnicities and age-old wisdom and traditions as well.

Our quest on sustainable development runs along seven major drive lines.

- Outreach expansion to make presence felt across geographies and communities still not adequately supported by formal banking services.

## When we look back at what we have done, it fills us with pride. Some of the micro businesses assisted by us have now come of age, graduating into the SME sector while SMEs are moving further up...

- Financial inclusiveness across the social spectrum where the end result would be equitable wealth creation in the society.
- Forward and backward market linkages connecting micro sector, through SMEs to bigger corporates.
- Promoting organic farming and nature-friendly agricultural practices , eco-system and habitat preservation and green investments.
- Creating and nurturing a capable, skilled and highly motivated team of achievers that would propel the Bank to the future
- Contributing to the national economic development drive in tandem with the state's master plan and development strategy.
- Exceeding customer expectation levels through service quality, speed and logistics

This whole exercise calls for a dedicated, skilled and motivated team. Over the years, we have built and nurtured this team- the best team of achievers. They are not confined to the cozy cocoons in their offices but move on to interact with present and future customers, call over at community doorsteps in the process putting up voluntary man hours in the effort, for which they are rewarded. BoC has one of the best work-life balance plans in the local banking industry.

When we look back at what we have done, it fills us with pride. Some of the micro businesses assisted by us have now come of age, graduating into the SME sector while SMEs are moving further up. Some of them have become house-hold names. Along the way, a whole chain of market linkages have been created with our guidance.

Our operations throughout the country do not affect the environment. Yet, operations of our customers, particularly in the agricultural sector, livestock farming and manufacturing industries do affect the fragile environment. In this context, we have set in place a mechanism for them to fall in line with environmental guidelines and regulations even to the extent of providing financial assistance for process revamping, waste disposal and worker training.

### The future

We have several initiatives to be implemented in 2013. We would have our first green building this year. Future constructions by the Bank will incorporate water recycling and sewerage treatment.

When we call ourselves the bankers to the nation it does not imply only the people. The nation is a broad term and encompasses the people, their cultural diversity and the social fabric and of course the environment. Our goal is to protect and nurture all three in our journey towards sustainable development.

**Dr Gamini Wickramasinghe,**
Chairman

7th January 2013

## KEY IMPACTS, RISKS AND OPPORTUNITIES

### How our operations impact our stakeholders

| Impact | Risks | Opportunities |
|---|---|---|
| Extensive small farmer credit results in a glut in supply | Drop in farm-gate price and inadequate market mechanism to meet the supply | Market linkages, value chain finance<br>Innovative financial instruments to stock/hold commodities |
| Thriving small businesses producing a range of diverse products | Non-availability of a marketing mechanism<br>Expected cash flows do not materialise | Market linkage with retail chains<br>Formation of producer marketing outlets |
| Extensive and frequent field-level social engagement puts pressure on human resources at service point level | Work stress and dissatisfaction among the team | Empowerment process for community groups to acquire a legal identity that would lessen field worker dependence |
| Start up SMEs/larger ventures affecting the environment through waste disposal, water way contamination and decibel levels | Community complaints<br>Probable legal process<br>Work stoppage and closure | Soft loans for process streamlining, waste disposal, water recycling<br>Re-planning working hours |
| Large scale farm credit increase agro-chemical usage | Contamination of the environment | Funding for organic fertilizer production<br>Raising organic farming to commercial scale |

### Impacts of sustainability trends on our operations

| Impact | Risks | Opportunities |
|---|---|---|
| Climate change and erratic weather patterns | Wildly fluctuating / depleted cash flows in climate sensitive projects | Climate business finance<br>Crops that are drought/flood resistant. E.g: cashew/paddy varieties that can withstand prolonged water logging<br>Crop insurance |

Impacts of sustainability trends on our operations

| Impact | Risks | Opportunities |
|---|---|---|
| Stringent environmental guidelines and pollution control | Fund inadequacy to implement guidelines and expected changes in operations | Soft loan facilities to align with environment-friendly operations.<br>- Water recycling plants<br>- Waste disposal systems |
| Inequitable wealth accumulation | Social alienation and animosity across marginalised social segments | Viable micro-finance platform aiming at financial inclusiveness |
| Development programmes with negative inroads in to eco-systems, habitats and bio-diversity | Full/partial destruction of eco-systems, loss of habitats and bio-diversity | Back to nature initiatives<br>- Forestry<br>- Green investments<br>- Alternative power generation through renewable energy sources |

# The Bank's Sustainability Policy and Frame-work

## INTRODUCTION

Bank of Ceylon, operating in one of the cornerstone industries, understands the significant role that it has to play with regard to sustainability. Therefore we at BoC combine sustainable finance/ economic activities with our nation's values, culture and trust that Corporate Social Responsibility (CSR) can be achieved through implanting social responsibility in profitability.

The core business strategy has been formulated with due consideration of sustainability related risk and opportunities. Accordingly the Bank, when developing its sustainability strategy focuses on three main dimensions of sustainability: economic, environmental and social.

## ECONOMIC SUSTAINABILITY

The economic dimension of the sustainability policy of the Bank is designed to achieve the national economic priorities of the country through the effective implementation of Bank of Ceylon business strategy. While maintaining this long term objective, the Bank drives its strategies to enhance sustainable financial performance and growth of the Bank and creates wealth to the nation.

The economic dimension of sustainability concerns the influence that the organisation can make on the financial development of its stakeholders. Therefore, under the broad dimension of economic sustainability set out above, the management of the Bank look forward to "contribute to sustainable economic development" and to "promote community investment". In this process the activities of the Bank are focused on tenure based economic gains, segregated into short to medium-term and long-term in order to avoid a negative impact in the socio economic order. The products and services of the Bank are also aligned accordingly to meet the evolving needs of the society, thereby contributing to a sustainable socio-economic environment.

Further, the Bank is committed to provide financial access and services to all socio demographic groups through its customer segmentation. BoC focuses on "sustainable banking" by lending responsibly following strict evaluation procedures and considering the needs of the nation while providing basic banking facilities to the less well-off to reduce financial exclusion.

## ENVIRONMENTAL SUSTAINABILITY

BoC's policy on environmental dimension of sustainability concerns the influence the organisation can make on natural resources including eco system, land, air and water. We incorporate sustainability in our day to day banking activities by making every effort to consume resources as a responsible corporate citizen. Therefore the Bank ensures minimising or eliminating any negative impact the Bank may have on the environment and contributing to define the others' impact through,

- Lending to environmental friendly entities and encouraging them through interest subsidies and other services,
- Refuse to lend to businesses whose actions cause unacceptable harm to the environment and,
- Participation in environment friendly programmes through CSR projects.

## SOCIAL SUSTAINABILITY

The social dimension of the sustainability policy of the Bank is concerned with the influence the Bank can make on the social system within which it operates. BoC adopts a comprehensive policy towards the society encompassing the human resources of the Bank, human rights, and other general societal aspects.

### Towards our human capital

True to our mission statement, Bank of Ceylon always strives to 'give all our staff to reach their full potential and give the recognition and rewards to be the best team of achievers in service excellence'.

BoC has aligned its HR practices to discharge its responsibilities to establishing decent labour practices setting out clear HR policies, monitoring and follow up. Our commitment includes training and awareness of our staff members establishing transparent labour practices and disciplinary procedures, cordial atmosphere for employee trade union affairs, empowering them for collective bargaining.

### Towards preserving human rights

The Bank advocates equal opportunity and adopts the principle of justice and fairness in our human resource management and strictly avoids child labour in every form by not promoting businesses or entrepreneurship of its customers that engage in employment of child labour and not accepting any outsourced and service providing parties if it is indicated they have employed child labour.

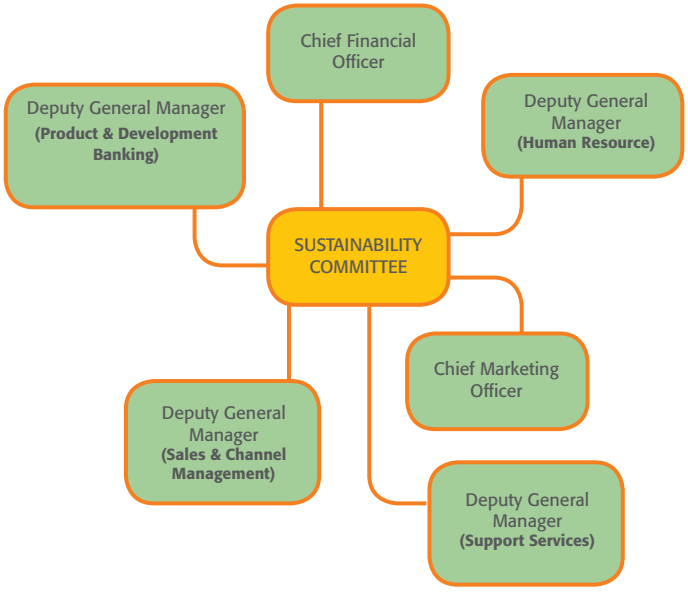
It is the policy of BoC to observe high standards of integrity and fair dealing in the conduct of its business and to act with due skill, care and diligence.

### Sustainability reporting

The Bank will issue a report on sustainability on an annual basis that will present the Bank's performance in the wide context of sustainability, providing an insight into the Bank's contribution towards the enhancement of economic, environment and social conditions within which it operates.

## SUSTAINABILITY PROCESS- HOW IT WORKS DOWN THE LINE

We have set up a sustainability committee at corporate management level to introduce and implement GRI guidelines within the Bank. The committee will co-ordinate sustainability initiatives, create suitable methodologies, provide logistical support and constantly monitor the progress.




The Board of Directors regularly oversee and monitor the sustainability policy framework as implemented by the Bank through the Bank's sustainability committee. Members of the committee monitor specific impact areas that have been assigned to them.

**Deputy General Manager (Product & Development Banking)**

- Micro-finance platform and how it is implemented across the branch network.
- Product innovation and development to meet customer expectations
- Development lending portfolio- The extent of its contribution to spur the priority sector growth along key drivelines

**Deputy General Manager (Support Services)**

- Material, energy and fuel usage
- Initiatives towards reducing the carbon footprint
- Recycling and energy saving mechanisms
- Delivery point ambience, customer access and service level support

**Chief Financial Officer**

- Economic value addition- trend monitoring
- Distribution of income among stakeholders
- Indirect economic benefits arising out of the Bank's operations

**Deputy General Manager (Human Resource)**

- Decent labour practices
- Defined benefit plan obligations and fund adequacy
- Human rights issues
- Team skill development and lifelong learning
- Career path development
- Worklife balance initiatives
- Interaction with trade unions

**Deputy General Manager (Sales & Channel Management)**

- Outreach expansion policy and progress
- Provincial development

**Chief Marketing Officer**

- Corporate social responsibility initiatives
- Interaction with environmental lobby
- Nature, bio-diversity and habitat protection initiatives

# Disclosures on Management Approach

## PRODUCTS AND SERVICES DIMENSION

- Our products and services are constantly focused on stakeholder needs and perceptions. We are aware of the diversity of our customer base and the society in general, spread on several different demographical and socio-cultural layers that need compartmentalized attention.

- Environmental and social impacts of our operations (customer service and credit delivery) are adequately addressed within policy implementation and laying out the procedure. Our objective is to maintain and preserve environmental equilibrium and social harmony in relation to our customer business operations.

- A laid out monitoring mechanism is in place to assist our customers to effectively face environmental and social impacts.

- We offer support/advice to our customers when environmental/ social issues crop up during a business cycle.

- All our business operations are transparent, ethical and customer-friendly.

- In-house audit teams are in place and carry out multi-layered audits on set time lines. In addition, independent external auditors are sourced in relation to selected priority sector- focused credit programmes.

## ECONOMIC DIMENSION

- Our economic focus centres around equitable wealth creation across the social fabric and enhanced value addition to all of our stakeholders.

  The Bank's bottom line results affect the entire country as its asset growth, financial strength and profit levels are owned by the public. Economic value addition and income distribution is to be viewed in this context.

- In this back drop, our business strategy, goals and objectives are placed in tandem with the national economic development policy. As the leading state-owned commercial bank, we consider it is our bounden duty.

### Market presence

- Entry level wage is maintained at par or above the local minimum wage. The Bank's recruitment is on a trainee basis and the compensation doubles up after the training period.

- Supply and procurement policy is focused towards local supply lines. Supply policy has been decentralised with province/branch having their own delegated procurement levels.

> The need for equitable wealth creation across the country is a core issue that should be addressed.

- In Sri Lankan operations, as a policy, the total workforce including the senior management, is recruited locally. In case of our overseas operations, management and supervisory positions are held by Sri Lankan staff while operational/ support roles are filled locally.

### Indirect economic benefits

- Our focus does not stop at bottom line, asset growth and other financial indicators. There are hard to quantify benefit levels, such as employment generation, asset creation, export promotion and equitable wealth creation across the whole social spectrum. This is more so evident in the disadvantaged communities we serve. The thrust of our micro-credit programme is on a credit plus approach.

- Another area of focus is in savings mobilization throughout the country with a holistic approach and strategy. This was an ongoing process running in to the entire year with road shows, door-to-door campaigns and identified promotional drives.

## ENVIRONMENTAL DIMENSION

- We believe in nature-friendly business practices, environmental preservation and protection, green building concept and proactive initiatives focused on long term sustainability of the environment within which we operate.
- Our environmental dimension runs along four major drive-lines.
- Creating a long term sustainability focus among the customer-base.
- Encouraging and expanding green investments across the loan portfolio.
- Partnerships with active environmental lobby.
- In-house environmental focus on power and energy usage, re-cycling and alternative power sourcing.
- Credit evaluation/delivery targets organic farming, green investments (power generation using renewable sources, forestry, re-cycling, eco-tourism) and nature-friendly agro-livestock projects. (Dairy farming based on shed rearing, bio-gas generation etc).
- BoC model village initiative has been launched with the aim of transforming predominantly agriculture-based dry-zone villages as toxic-free farmlands.
- Apart from environmental screening under credit evaluation/delivery, the Bank intervenes when environmental issues crop up during project life-time, assisting project-proponents to acquire required/mandatory certification levels (e.g: SLS/ ISO) and/or environment-friendly operational capacity. A case in point is large scale paddy mills in the North Central Province which have been assisted with water purification plants on concessionary credit.
- The Bank's sustainability committee is the owner of this process and works in liaison with different business units and the delivery network.

## SOCIAL DIMENSION

- The need for equitable wealth creation across the country is a core issue that should be addressed in national development initiatives. It is also identified that a substantial segment among the population, the poor, both in the rural periphery and urban slums and tenements do not have access to customer-friendly financial services.
- This calls for an innovative approach which should facilitate outreach expansion focusing disadvantaged and off-the-road communities.
- Social mobilisation of the poor through streamlined empowerment initiatives.
- The Bank expects to help set up 25,000 solidarity groups throughout the country as a mid-term goal, which would transform in to a string of village level mini-banks within a given time frame.

### Labor practices and decent work

- Our labour relations and practices are guided by Sri Lankan labour laws as well as international initiatives(ILO). We focus on six selected aspects
- Equal opportunity
- Performance-based appraisal
- Career path development
- Skill development and training
- Work-life balance
- Defined benefit plan

**Large scale paddy mills in North Central Province have been assisted with water purification plants**

### Human rights

- BoC's underlying principle and one of the core values is the respect for human rights as defined by the constitution of the Democratic Socialist Republic of Sri Lanka as well as international covenants and declarations binding on Sri Lanka.
- While practicing non-discrimination, the Bank encourages its stakeholder segments(customers and suppliers) to uphold non-discrimination, freedom of association and prevention of forced/compulsory/ child labour.

  As a policy, the Bank does not employ child labour and screens customer credit requests for incidents of child labour.
- The Bank's compensation structures and non-salary benefits are revised every three years based on a collective bargaining process with employee representatives.
- There are six recognized trade unions functioning within the Bank. They are provided with free office space and communication facilities.
- The industrial relations unit of the Personnel department handles human rights issues which are under the direct supervision of the Deputy General Manager - Human resource

# Our Profile in a Sustainability Frame-work

## Who are we?

We, BoC is a licensed commercial bank fully owned by the Government of Sri Lanka- the biggest commercial bank in the country in terms of the asset base, outreach and capitalisation. In addition, our ever increasing customer base and net revenues YoY are formidable.

## Legal form and structure

Our corporate information and family ties (subsidiaries and associates) are indicated on the inner back cover and page 92.

Our core business functions are illustrated on page 244.

## Where we are - the location

Our headquarters is at Bank of Ceylon Head Office, "BOC Square", No. 01, Bank of Ceylon Mawatha, Colombo 01. More details are given under Management Discussion and Analysis and Service Points on page 384.

## Outreach

Our outreach extends well beyond Sri Lankan shores. We have two overseas branches (Male and Chennai) a fully owned subsidiary in London operating its own branch, internally appointed representatives in nine middle eastern countries, business promotion officers stationed in Italy, Japan and South Korea that solidifies our presence in virtually all strategically important global locations.

## Customer segmentation

BoC does not confine itself to a particular market/customer segment. As bankers to the nation, we serve the entire social spectrum, from corporate clients and high net worth customers to the marginalised poor with several layers - SMEs, middle market, retail banking, personal banking in between.

## Operational responsibility

Core business operations are handled by permanent and contracted staff. We do outsource certain support services (janitorial services, part of security provision and dispatch of customer communications etc).

Branch banking which covers middle market/retail and micro-finance market is administered under a provincial network of 10 provinces. (Western Province is split into two administrative units and the balance eight provinces are similar to the Government's provincial administrative setup.)

Islamic banking is by a centralised unit linked with banking windows across the delivery point network.

We have grouped our customer base by economic sector engagement. Apart from the Government of Sri Lanka and state-owned enterprises (statutory boards, corporations and authorities set up by parliamentary legislation) our customers operate across eight broadly defined sectors.

- Import and export trade
- Wholesale and retail trading
- Banking, financial services and insurance
- Agriculture, plantation industry and fisheries
- Manufacturing industries
- Tourism
- Housing, constructions and property development
- Consumption

## Significant changes during the reporting period on size, structure or ownership

There were no changes in our corporate structure other than the growth in delivery points and accumulated shareholder funds displayed in financial statements.

## Best branch competition

Best branch competition was held this year too under the revamped selection criteria. They were selected on quantitative (business volume and bottom line) and qualitative customer service excellence and internal control efficiency standards.

Ayagama in Sabaragamuwa Province, Padiyatalawa in rural Uva and Minuwangoda in Gampaha district were selected as the best three branches island wide with a paid holiday package to Malaysia for the entire branch team.

## MILESTONES - AWARDS WON IN 2012

| Organisation/Institute | Nature of competition | Category | Award |
|---|---|---|---|
| The National Chamber of Commerce, of Sri Lanka | National Business Excellence Awards 2012 | Banking and Financial services sector | Gold |
| | | Extra large category | Silver |
| | | Overall winners category | Bronze |
| International Academy of Communication Arts and Services Mercom Inc | 2012 International Arc Awards | Non-traditional Annual Report - Banks, International | Gold |
| | | Financial data Banks, International | Silver |
| Institute of Chartered Accountants of Sri Lanka | Annual Report Awards 2012 | Banking sector | Certificate of compliance |
| South Asian Federation of Accountants (SAFA) - an Apex body of SAARC | Best presented Annual Report Award & SAARC Anniversary Awards for Corporate Governance Disclosures 2011 | Public sector Banking Institutions | 1st Runner-up |
| League of American Communication Professionals | 2011 Vision Awards | Annual Report competition | Silver Top 25 Sri Lankan Annual Reports of 2011. |

## Corporate Governance, Commitments and Engagement

### Corporate governance

The highest governance body of the Bank, the Board of Directors is appointed by the Minister of Finance, on behalf of the shareholder, the Government of Sri Lanka. The Board is comprised of professionals with proven expertise and credentials from a wide background which include business administration, commercial and international law, economic research, public finance, human rights, built environment, agricultural science and plantation management. Composition of the Board is explained in pages 34 to 37.

### Mandate

The Board of Directors is responsible to the stakeholders for creating and delivering sustainable value through the management of the Bank's businesses. As the policy making body it formulates strategy, reviews internal structures for policy implementation and ensures clear lines of accountability.

### Breakdown of Board composition

| Composition | Male | Female |
|---|---|---|
| Independent non-executive Directors | 3 | - |
| Non-executive directors | 1 | 1 |
| Non-executive ex-officio Directors | 1 | - |
| Non-executive alternate directors | 1 | - |
| Total composition | 6 | 1 |
| Minority group representation | 2 | - |

Composition of the Sub-committees of the Board of Directors and their mandate and responsibilities are explained on page 138.

### Mechanism for shareholders and employees to provide recommendation/direction to the Board of Directors

- Government as the sole shareholder relays its recommendations and directions through the Ministry of Finance.
- Employee concerns and recommendations towards governance is by way of trade union representation. Trade unions consult their membership before interaction.

Employee concerns/recommendation during the period centred on labour practices, equal opportunity, career path avenues, savings mobilisation and worker facilities in the periphery.

### Processes in place to avoid conflicts of interest in the Board of Directors

Members of the Board self declare their conflict of interests and abstain from deliberations and decision making processes when conflict of interest is apparent. This aspect is explained in detail under Corporate Governance on page 108.

### Vision, Mission and other internally developed statements

These two statements are indicated on pages 10 and 11.

### Whistle blower policy and practice

The Bank has set in motion a streamlined procedure to receive and settle stakeholder complaints involving, questionable accounting practices, weakness in internal control, bribery and corruption, record falsifying, insider dealing, money laundering, theft and fraud, asset misuse, misrepresentation of records and other acts that would compromise good governance, financial health, integrity and the image of the Bank.

Even anonymous complaints and allegations are accepted and the identity of the complainant is withheld if requested. Complaints can be made on sufficient grounds for concern, not necessarily with proven evidence.

The Chief Internal Auditor performs the overseer function and reports to the Board of Directors. Complaints are inquired into and resolved within a period of three months.

| | |
|---|---|
| Number of complaints received during the year | 129 |
| Resolved complaints | 118 |
| Complaints where settlement is pending | 11 |

### Anti-corruption policy

We emphasise on eliminating corruption within the institution at all levels. Focusing on this, employee training was carried out throughout the year. As at the year end 77.5% of the team was trained in the Bank's anti-corruption policy and procedures.

### Action taken on in response to incidents of corruption

94 such investigations were completed during the year.

### Precautionary approach

We accept principle 15 in the Rio declaration of 1992 and are using this principle, as the situation demands, in finding the balance between sustainability and development.

### Membership in industry related Associations

- Asia Pacific Rural and Agricultural Credit Association (APRACA)
- Association of Banking Sector Risk Professionals, Sri Lanka
- Society for International Development (Sri Lanka chapter)
- Institute of Bankers of Sri Lanka
- International Chamber of Commerce, Sri Lanka

We accept principle 15 in the Rio declaration of 1992 and are using this principle, as the situation demands, in finding the balance between sustainability and development.

- The National Chamber of Commerce, Sri Lanka
- Sri Lanka Banks Association (Guarantee) Limited
- Sri Lanka Law Library
- The Ceylon Chamber of Commerce
- The Financial Ombudsman of Sri Lanka (Guarantee) Limited

### Externally developed initiatives/ charters to which we subscribe/ endorse

- Global Reporting Initiative (GRI) G31 guidelines
- Sri Lanka Accounting Standards (LKAS) and Sri Lanka Financial Reporting Standards (SLFRS)
- Basel 11 guidelines
- Social Management Framework under Small and Medium Enterprise Development Facility (SME-DeF) line of credit, a World Bank funded SME loan programme

# Growing Together with the Community

> The perfect journey is never finished. The goal is just across the next river bend; round the shoulder of the next mountain. There is always one more track to follow, one more mirage to explore.

**Rosita Forbes**
English travel writer and explorer

## EXPANDING OUTREACH

We are in a constant search for geographies and locations which are still not reached by formal financial services. In the back drop of our expanding presence across the island covering virtually all townships, bigger villages and economically active out posts, this task has now become a gap-filling exercise.

Yet, we believe that in certain selected regions, particularly in the North-East, where network expansion is not only possible but sustainable.

A case in point is the Northern Province where 11 new extension offices were established on a single day, i.e, 04th June 2012. The province now has 95 service points (22 fully fledged branches, 45 extension offices, 28 ATM points and 01 mobile service arrangement) to serve a population of circa 400,000.

During the year six extension offices were upgraded as fully fledged branches, while 28 new extension offices were set-up throughout the country. They represent the small townships and villages where economic activities, opportunities and challenges are there to be met, harnessed and developed. As this table amply demonstrates, we are in the process of moving into the social and demographic interior- the periphery where ordinary people go on with their life cycle activities.

# Our outreach foot prints during the year

| EXTENSION OFFICE LOCATION | SIGNIFICANCE AND RATIONALE |
|---|---|
| Diyabeduma | As its name implies, Diyabeduma is a water-shed where waters of the Yoda Ela divides into two channels, one towards Giritale tank and the other to Minneriya tank and from there to Kaudulla tank. This is a small town on the Elahera-Giritale road with several businesses linked with agri-business and consumer goods. There are a few Government institutions and schools that serve the predominantly agricultural population of around 10,000. |
| Diyasenpura | Another small township north of Medirigiriya on the Meegaswewa road, Diyasenpura is basically a settler community with settlers mainly from the Nuwara Eliya district, settled under the Kaudulla irrigation scheme. The town consists of agri-businessess, consumer shops and basic service outlets. The population in the feeder area exceeds 20,000. |
| Pallama | At the centre of a fertile land belt on the northern bank of Deduru Oya, to the north-east of the coastal town of Chilaw, Pallama is synonymous with coconut cultivation and paddy. Interspersed with medium to large scale coconut plantations and village homesteads, the area has a substantial concentration of brick-kilns. This is an emerging regional economic centre in the North-Western province. |
| Dalugama | Dalugama is a relatively older town on the Kandy road, later upstaged by Kiribathgoda city. Nowadays the entire line from Kadawata to the Kelaniya bridge is a continuous urban sprawl. Dalugama is renowned for brass fabrication (mainly door hinges, fasteners etc.) the Tyre Corporation and the Kelaniya university. It has now become a Colombo suburb. |
| Batuwatte | A rather small town on the main railway line north of Ragama junction, Batuwatte is linked with surrounding bigger towns, Ganemulla, Kadawata and Kandana by an extensive road network. The population mainly farmers and day workers commuting to Colombo is around 15,000. |
| Maruthankerny | A fishing out post in Vadamarachchi East and separated from Thenmarachchi by a thin slice of a lagoon, Maruthankerny is somewhat thinly populated compared with the rest of the Jaffna peninsula. The population mainly fishermen and farmers, is around 17,000. |
| Punnalaikadduwan | A small township in the Uduvil Divisional Secretariat division, which was released for settlement after 20 years. Feeder area consist of four Grama Niladhari divisions. Predominantly a farming area, Punnalaikadduwan specialises in tomato and grapes. |
| Kalviyankadu | A densely populated area in the Nallur Division on the Point Pedro road, Kalviyankadu is renowned for its market which attracts farmer-producers from the adjacent farming villages. Feeder area population exceeds 25,000. |
| Manthikai | A key economic out post in Vadamarachchi, Manthikai is a trading centre from the olden days, where produce from the surrounding farming belt was regularly brought for exchange and disposal. |
| Omanthai | Omanthai, a one time exit-entry point in to the then LTTE held Vanni, is an area where re-settlement is extensively taking place. It is also the proposed location for the planned economic centre that would facilitate a robust market for agricultural produce from the Vanni. |

| EXTENSION OFFICE LOCATION | SIGNIFICANCE AND RATIONALE |
|---|---|
| Sirupiddy | A village trying to transform in to a small town, Sirupiddy is in the midst of the fertile red-soil belt in the Jaffna peninsula, located in between Achchuvely and Urumpirai. The surrounding area is renowned for high quality onions, vegetables and grapes. |
| Savalkadu | A fishing village in Sandilippidy Division north-west of Jaffna, Savalkadu is the centre point for surrounding villages which engage in fishing as well as land-based fishing activities. |
| Karanavai | This is the gate-way to Nelliyady and from there to Point Pedro. It is in effect, a big village that would soon become a small town. The local population are traditional farmers engaged in grape/vegetable cultivation and some village artisans. |
| Puthukudirippu | Literally, the new settlement, Puthukudirippu is a small town on the Paranthan-Mulaitivu road, 20km north-west of Mullaitivu. This is a predominantly farming community now witnessing speedy development with most of the once displaced inhabitants resettled in their homes. |
| Jaffna University-Thirunelvely | With a student population exceeding 5,800 and an academic staff of 393, Jaffna university is the 7th largest in the national university system. The campus is located in Thirunelvely, a Jaffna suburb. |
| Pelawatte - renamed as Walallawita | Situated 12 miles off Agalawatte on the Pitigala road, Pelawatte is a village coming to grips with development. The feeder area has large and smallholder tea and rubber plantations, interspersed with cinnamon and paddy. There are a string of organised low-income and middle-class settlements in the locality. |
| Pasgoda | Located in between Mawarala and Urubokka in the northern foothills in the Matara district, Pasgoda is another emerging economic centre in the rural Southern Province. Most of the inhabitants in this locality are tea smallholders with interspersed cinnamon cultivations in scattered pockets. |
| Kandy court complex | The court complex houses the provincial high court, district courts and magistrate courts. The mini-branch would serve the legal fraternity (judges and lawyers) and close to 1,000 litigants who converge at numerous court rooms. |
| Thihagoda | Thihagoda is a small township on the Matara-Hakmana road, six miles off Matara. The road to Kamburupitiya branches off at Thihagoda, set amidst low-lying paddy tracts in the Nilwala river basin. The community here is predominantly agricultural with paddy and home-gardens. |
| Ukuwela | Another small township on the Matale-Wattegama road that caters to the estate sector. The feeder area consists of estate workers and villagers in hamlets sandwiched between tea estates. |
| Alankerny | Alankerny is at the centre of a cluster of villages west of Kinniya in the Trincomalee district. The multi-ethnic community is engaged in fishery, paddy cultivation and livestock farming. |
| Mulleriyawa new town | An emerging suburb east of Kolonnawa town, Mulleriyawa is sprinkled with a number of planned housing communities and industrial cum business ventures. |
| Nallur | A traditional Jaffna suburb dominated by the revered Kandasamy Kovil, Nallur was once a centre of educational excellence. The ancient glory is still visible here. |
| Malwatta | A rather small town on the Ampara - Sammanthurai road, Malwatte is a typical agricultural community populated by circa 10,000 people. |

| EXTENSION OFFICE LOCATION | SIGNIFICANCE AND RATIONALE |
|---|---|
| Navithanvely | Another predominantly agricultural area in Digamadulla, Navithanvely is surrounded by lush green paddy tracts that extend up to the horizon. This small town, north-west of Kalmunai town, is home to an industrious farming community. |
| Irakkamam | Irakkamam, a farming centre in the midst of fertile plain irrigated by the Irakkamam tank, serves a population of around 13,000. |
| Palugamam | A farming village in Porateevu Pattu on the southern fringe of Batticaloa district, Palugamam is slowly but steadily coming up with varied agricultural ventures. Moving away from conflict in to reconciliation. |

Now, the focus is on upgrading present extension offices to full branch status, along the way offering the present and future customer base a well streamlined service delivery. This would be a constant routine exercise in coming years as our customer base and business volumes, transactions and assets are steadily growing.

## OUTREACH MILESTONES

First drive through Automatic Teller Machine was installed at Thimbirigasyaya branch housed at Sambuddha Jayanthi building near Thunmulla junction, Colombo 7.

# In focus THE GROWTH OF URUMPIRAI BRANCH

Urumpirai is a small township north of Jaffna on the Palaly road, nestled amidst Kopay (2km), Chunnakam (2km). Thirunelvely (3km) and Achchuvely (7km), the triangle which connects Kopay, Achchuvely and Chunnakam. It is in the Jaffna agricultural heartland. This little town is synonymous with grape cultivation, a major cash crop in the peninsula. Yet, there is a small but influential and educated elite, most of whom have migrated to Canada and Malaysia.

The feeder area consists of Urumpirai (four divisions) Urelu, Punnalaikadduwan, Actchelu and Neervelly west Grama Niladari divisions that have a total population of approximately 15,000. The customer base, mostly farmers is rather small. However, the branch has penetrated this population in a very satisfactory manner.

The extension office at Urumpirai opened on 01st August 2011 and was upgraded as a fully fledged branch on 01st November 2011. During the period, the branch has shown steady growth capturing 2,944 savings accounts and 1,551 Fixed deposits.

This branch was placed second islandwide in the smart saver competition 2012, the major deposit mobilisation exercise carried out by the Bank.

# Growth at the Grass Roots - Barefoot Banking

> Micro-finance recognises that poor people are remarkable reservoirs of energy and knowledge. Where the lack of financial services is a sign of poverty, today it is also understood as an untapped opportunity to create markets, bring people in from the margins and give them tools with which to help themselves.

**Kofi Annan**
One time UN Secretary General

The poor is a vulnerable social segment. They are scattered across the country from urban slums and tenements to the rural periphery. They may be classified as manual labourers and tenant farmers, unemployed and under-employed, women headed families and domestic migrants etc.

A lot of people, organisations and social movements across the globe have focused on this issue; how to empower and uplift the poor. Socio-economic experiments have been launched in various countries. Grameen Bank, ASA models and smaller initiatives like Safe Save in Bangladesh, Unit Desa system in Indonesia, savings clubs spread throughout Africa and developed but controversial Micro-finance banks in Latin America are some examples.

Their cash flows are irregular and do not follow a set pattern. The crux of the problem is that despite their small income, they are faced with needs which are large in relation to the cash flow. Apart from meeting day to day expenditure such as food, they need money for life cycle needs, emergencies and yes, opportunities.

It is the opportunities we are concerned with. Opportunities for the poor are starting and running businesses, acquiring productive assets and possessing life enhancing consumer durables. If these opportunities can be harnessed, life cycle needs and emergencies can be taken care of.

Our solidarity group platform is based on this very same assumption. The poor can be mobilised. They can be organised in to a social network where financial discipline would be the key element. As organised groups and not as mere individuals they can be made strong. We want them to harness the opportunities available.

You need a committed group of people to drive this initiative. This is why we selected a pool of Community Development Assistants to work with the people at their door steps, fields, work-shops and tenements. These animators, provided by the CBSL are in reality, barefoot bankers mingling with the people and mobilising them into solidarity groups.

The initial task was to inculcate the notion of savings among them. In micro finance, savings has three dimensions. Savings up(saving over a period of

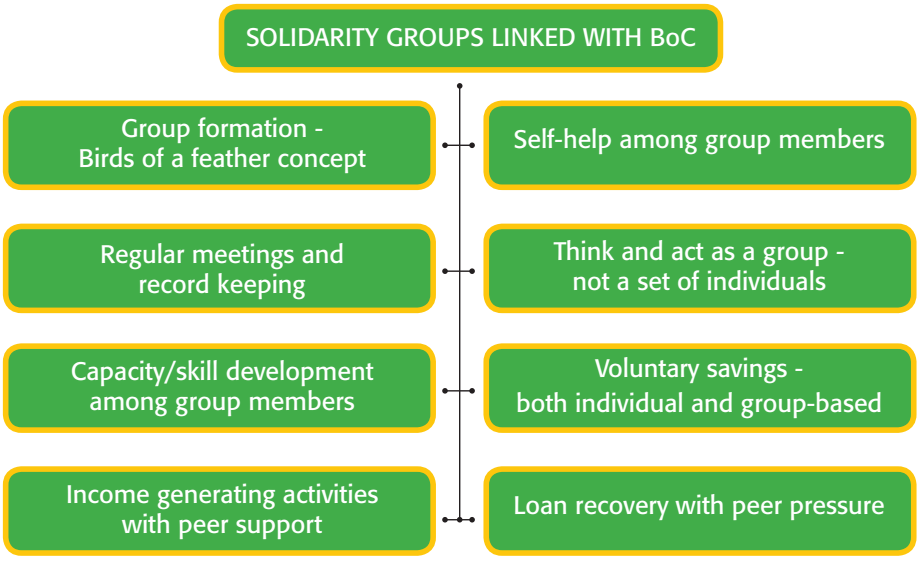
time), savings down( Loan up-front to be paid back through a series of future savings) and savings through(a combination of both). Our solidarity groups follow all three. Initially, they practice savings up by regularly contributing an agreed sum to be saved in group/individual savings accounts. When group members show apparent social mobilization and commitment, savings down (loans) follow.

It is the group that decides on who amongst them should receive credit and for what. Peer pressure and follow up plays an active role at each step, this means that loan recovery does not require outside pressure.

We have now entered the consolidation phase. Although, we carry on with group formation on an ongoing basis, now the emphasis is on capacity building and institutional strengthening. This covers clustering 5-10 groups into village level centres and thereafter societies, ultimately bestowing a legal status for the societies. Capacity building among individual group members and elected officials in groups and societies focused on training. Throughout the year we conducted a series of training work-shops on financial literacy, leadership and motivation, elementary book keeping and technical knowledge. In another perspective, selected groups were taken to other areas in the country facilitating experience sharing and interaction.

**BoC solidarity group performance**

| | End 2012 | End 2011 |
|---|---|---|
| No of groups formed | 17,010 | 16,396 |
| No of group members | 90,993 | 87,824 |
| No of village centres | 576 | 410 |
| No of village societies | 134 | 30 |
| Volume of group savings (LKR millions) | 375 | 200 |
| Savings down (loans) LKR Millions | 1,408 | 1,297 |
| Economic activities started | 28,876 | 26,358 |




**Capacity development initiatives among solidarity groups**

| PROGRAMME SCOPE | TARGET BENEFICIARY SEGMENT | NO OF PROGRAMMES | TOTAL PARTICIPATION |
|---|---|---|---|
| Financial literacy programme | Low-income social segment with an inclination to group together | 26 | 1,768 |
| Entreprenuer development programme | Dedicated would-be enterprenuers still in the formative stage of their ventures | 7 | 315 |
| Leadership development programme | Members of solidarity groups | 614 | 3,169 |
| Skill development programme | Students undergoing vocational training courses | 3 | 262 |
| Exposure visit on solidarity group activities | Solidarity group members | 2 | 96 |
| Banking literacy programme | Rehabilitated, socialised ex-LTTE combatants | 3 | 97 |

## A SOCIAL OBLIGATION- BRINGING EX-LTTE COMBATANTS BACK TO THE SOCIETY

We played a pioneering role in bringing ex-LTTE combatants back in to the mainstream. This being an avowed Government policy, credit facilities for their livelihood improvement was considered across North-Eastern branches. They had been provided vocational training while incarcerated. This social segment have started a string of self-employment ventures in the former battlegrounds in Jaffna, Vanni, and the East. One of them, Mr. V Uthayasuthan of Neeravipiddy East in Mulaithivu district has put up a barber salon at Mulliyawalai, just opposite the SL Army camp where soldiers have become a substantial part of his clientele.

## MIGRANT WORKERS- A HELPING HAND

During the year, we increased our representation in strategically important foreign destinations to 26. These representatives interact with migrant workers at their work places and offer speedy and safe remittances/ investment solutions. The focused destinations are the Middle East, Korea and Italy. In addition, the Bank's active participation at a number of functions and ceremonies organized by Sri Lankan missions abroad and cultural and welfare societies strengthened our relationships with this segment.

## COMMUNITY FOCUSED INITIATIVES

### HEALTH CARE

#### Ranorawa rural hospital development initiative

Ranorawa, a small township North-East of Anuradhapura has become an important outpost in this harsh surrounding, primarily because of its rural hospital which provides health services to a rural population of around 5,000. This year, we undertook a major CSR initiative by constructing an outpatient treatment unit (OPD) complete with medical officer consultation rooms, clinic, dispensary, drug stores, toilet facilities and a spacious patient lobby at a cost of over LKR Six million. It was bestowed to the public in February 2012.

#### Maintenance of Pediatric Oncology unit- Cancer Hospital, Maharagama

A Pediatric Oncology unit constructed and donated by the Bank on its 50th anniversary in 1989 is maintained by us. A Board of Trustees, which includes team representatives at various levels oversees this task. Maintenance costs are met by funds collected through the disposal of old newspapers at branches/ head office units.

#### Assisting rural health care

Our Galnewa branch has taken an innovative step in assisting rural health care.

Galnewa MOH office serves a population of around 15,000, a predominantly farming community in Mahaweli System H. Expectant mothers in Handungama, Bulnewa, Kalankuttiya, Namalgamuwa, Halmillewa, Musnawa, Kandegama, Kallanchiya, Siyambalewa, Aukana, Negampaha and surrounding villages and settler colonies turn out for periodic clinics held at the MOH office or other designated locations. The Bank, with the help of local health authorities prepared a four page booklet to be distributed among the young rural mothers to be. This booklet dwelt on pre-natal preparation by expectant mothers, child care after birth, vaccination time lines, breast feeding instructions and other related information which is a thoughtful exercise in the back drop of low education levels and health awareness in this rural back water.

#### Financial assistance for health-care facilities

We believe that rapid expansion in private-sector owned fee-levying health facilities would ease the burden on the free state health care sector, which is patronised by the ordinary folk. With this in mind, we ventured out to fund several health care projects during the year.

| | |
|---|---|
| Ninewells care mother and baby hospital | LKR 500 million |
| Singhe Hospital (a new hospital coming up in Ratnapura in the Sabaragamuwa Province) | LKR 140 million |
| Central Hospital, Colombo 7 | LKR 960 million |

## A Multi-faceted approach combining health care with education

The Bank ventured in to multi-faceted health care investment by financing a state-of-the-art teaching hospital at SAITM, Malabe, the first private sector medical faculty in the island. This modern hospital would conduct teaching programmes on behalf of SAITM medical faculty and venture into medical research, a long-felt need in this part of the world. We have committed LKR one billion for this ground-breaking project.

## National heritage

**The ultimate cultural extravaganza- Kandy Dalada Perahera.**

As usual, the Kandy Dalada Perahera, the Sri Lankan cultural show-case was part sponsored by us. This pageant, captures the age old rituals and traditions connected with the sacred tooth relic and mesmerises the faithful and onlookers with dance rhythms handed down from generation to generation, folk music and majestic spectacle of a large contingent of pachyderm in gaily decorated costumes. A major tourist draw in itself.

In addition to sponsoring the perahera, we supported the Dalada Maligawa newsletter and connected CSR activities including computer literacy training facilities.

## The Esala pageant at Kataragama

A venerated pilgrim congregation in the south-east, the Kataragama temple, draws thousands of devotees in a diversity of faith throughout the year, more so in the month of August when the annual procession is held. Aptly dubbed Surinduni Kataragama, the colourful pageant is a perfect blend of Buddhist and Hindu religious traditions.

As it is customary, BoC was a major sponsor at this cultural event.

## Deegavapi restoration project

A historic site dating back to 110 B.C, Deegawapi in the Ampara district has been declared a landmark archeological restoration project by the Ministry of National Heritage. Restoration is managed by the Archeological Department with labour offered by the Civil Defense Force (CDF). The restoration work which consists of excavation within an identified area, renovating the present day museum, putting up pilgrim facilities and landscaping is in progress. The Bank has so far met the accommodation costs of the CDF personnel, excavation implements and identified infrastructure facilities.

## COMMUNITY INVESTMENTS

### Unichchai village adoption programme

Unichchai is a remote village in the Batticaloa district, which was severely affected by the 30 year long war. The villagers who abandoned the village during the turbulent past have trickled back. The returnees faced a whole gamut of pressing issues in the face of disrupted infrastructure, dilapidated abodes, inadequate health services and sanitation, educational needs of their children.

Initiated by the CBSL, BoC joined with Peoples bank and carried out a baseline survey among the villagers aimed at

need assessment. The immediate needs centred around house reconstruction, sanitary facilities, livelihood development and education based logistics. The two banks funded the crash program focusing on the immediate requirements identified.

Having completed a base line survey and based on the need assessment, we have successfully mobilised villagers in to solidarity groups, disbursing loan facilities for livelihood development.

### Doramandalawa model village

The Divimansala community centre which would focus on the integrated development of this village nestled in the harsh dry-zone north-east of Anuradhapura was set up during the year. Located in the village temple premises, it houses the Bank branch, an agricultural information and advisory centre and a vocational training facility. Doramandalawa residents, virtually all of them farmers, are now receiving crop loan facilities at regular timelines.

### Helping hand to sports and recreation

We were a major sponsor for the 15th Asian Junior Athletics championship held at the Sugathadasa Stadium from 09th -12th June, 2012. This championship organized by the Asian Athletics Association, witnessed the participation of over 5,000 young athletes from 34 Asian countries.

> "we have successfully mobilised villagers in to solidarity groups, disbursing loan facilities for livelihood development."

## OTHER CSR INVOLVEMENTS DURING THE YEAR

Many of the following CSR initiatives were organised and participated in by our provincial staff

### HEALTH CARE

- Free medical camp Atmathadodai/ Poolasiddy in collaboration with Manipay City lions club, over 300 patients treated.
- Anti-dengue campaign in Trincomalee on 1st October 2012
- Ayurvedic/acupuncture clinic at Kalmunai
- Supply of meals and financial assistance to purchase medicine to inmates at Karapitiya hospital, Cancer Unit
- Team contribution proposed Kandy Cancer Centre organised by the Kandy Cancer Society
- Financial assistance to the Thalassemia Unit at General Hospital, Kurunegala
- Cleaning of a ward at Anuradhapura General Hospital with team participation
- Renovation of childrens' ward at Padiyatalawa hospital with voluntary team participation
- Dengue eradication campaign at Moneragala with the co-operation of public health officials
- Donation of 50 mosquito nets to the childrens' ward at Moneragala hospital
- Voluntary dengue eradication campaign in Bibile with health sector co-ordination
- The Bandaragama branch team volunteered to donate baby clothing to 35 expectant low-income mothers.
- Donation of a colour television set to Gangodagama Rural hospital by Hakmana branch team
- Donation of five beds with all necessary accessories to Awissawella base hospital

### COMMUNITY RESPONSIBILITY

- Donation of a computer to differently abled students at Ramanathan College, Chunnakam, Special Education Unit
- International Womens' day celebration in Trincomalee
- Seruwawila temple festival sponsorship
- Renovation of Kinniya Urban council conference hall
- Reconstruction of Galle Fort, and Mihindu Guhawa
- Southern Province schools sportsmeet at Beliatta- main sponsor
- Vesak Bhakthi Gee at Gateway International School, Kandy
- Nuwara-Eliya district Inter-school art competition
- Voluntary team contribution to Daya Niwasa, a home for the abandoned and differently abled, run by catholic missionaries
- Gift of 100 savings pass books to physically handicapped children with the collaboration of Sunera Foundation
- Religious programme at Abimansala, Anuradhapura

### COMMUNITY RESPONSIBILITY

- Donation of a public address system to Jaya Sri Maha Bodhi, Anuradhapura
- A cash award of LKR 100,000 to an inborn disabled child who successfully passed year five scholaship.
- Construction of a Budu Medura at District Secretariat, Anuradhapura
- Sipsara Udana programme co-ordinated by Uva Provincial Council to assist year five scholarship examination aspirants. 20 seminars were held covering almost all year five school children in the Uva Province.
- Donation of water tanks to Embilipitiya National School and Dehiwinna Mihindu Vidyalaya
- Distribution of books at Gonagaara Vidyalaya, Buttala in commemoration of World Childrens' Day
- Arts and essay competition at Millettewa Maha Vidyalaya, Girandurukotte
- International Womens' Day programme at Uva Province Office, Badulla.

### RELATIONSHIP WITH TRADE CHAMBERS-SPONSORSHIPS

- National Chamber of Exporters of Sri Lanka - 20th Annual NCE Export Award
- National Chamber of Commerce of Sri Lanka - National Business Excellence Awards 2012
- The Ceylon Chamber of Commerce - Best Corporate Citizens Award 2012
- Sri Lanka Chamber of Pharmaceutical Industry - AGM
- Federation of Chamber of Commerce & Industry of Sri Lanka - SAARC
- Women's Chamber of Industry & Commerce - Women Entrepreneur of the year
- The Ceylon Chamber of Commerce of Industry - CNCI Achiever's Award 2012
- European Chamber of Commerce of Sri Lanka - Eurolink
- International Chamber of Commerce - 46th AGM

# Growing with the Future

**Hapana educational programme**

Hapana programme is a series of educational seminars focusing on the year five scholarship examination aspirants. We are collaborating with the Hapana educational publication who provide the resource persons-well known educationists- for the seminars held across the country with emphasis on less developed rural and urban schools. A separate work-shop is conducted side by side the programme proper, focusing on parental guidance. This is for the benefit of the parents who accompany their children.

Throughout the year, we facilitated 75 programmes with a participation of 37,000 would be scholars and 32,000 parents.

## OTHER EDUCATIONAL INITIATIVES

| INITIATIVE | RESULT |
|---|---|
| **Assisting future leaders - a school leaver programme**<br>Each year, we train more than 1,000 school leavers (students who await university entrance results) in branch banking through our delivery network. These students, a bulk of them not from affluent backgrounds are given a 6 month stint and exposure in customer care, loan customer follow-up, deposit mobilisation, data entry, field level interaction with grass root customer base and support services. This is an invaluable learning experience which prepares them for future challenges. | This year, we trained 1,500 students investing LKR 147 million in the process. |
| **Graduate training initiative**<br>The Bank has a practice of bestowing on-the-job training to undergraduates recommended by the national universities. This year, we ventured further by including students of selected higher education institutes, such as National Institute of Business Management (NIBM), Sri Lanka Institute of Information Technology (SLIIT) The Open University of Sri Lanka. We also gave job-based training to Audit Trainees referred by reputed Audit firms. | This year we trained 434 undergraduates.<br><br>Out of the length of training which ran in to six months, 80% was covered by on-the-job exposure with the balance covered by interactive sessions and discussion with senior bankers. |
| **Rankekulu scholarship programme**<br>This year, a total number of 2,000 students out of our Rankakulu childrens' account holders who secured highest marks at the year five scholarship examination were awarded cash prizes amounting to LKR 20 million in total. These awards, credited to their accounts will grow with them and be a substantial amount when they reach the university entrance threshold. | 1,750 scholarships at LKR 10,000 each on island wide merit<br><br>250 scholarships for top 10 places in each of the 25 districts |
| **Rankekulu sansada-school savings units**<br>We are a pioneer in inculcating the savings habit among school children. This is carried out by setting up school savings units at selected schools. Going beyond, in some schools we have formed Rankekulu Sansada, a form of a student savings club which nurtures financial literacy among the children. These mini school banks are manned by the students themselves. | As of the end of the year, 2,498 school savings units and 954 savings clubs were in operation. |

## OTHER EDUCATIONAL INITIATIVES

| INITIATIVE | RESULT |
|---|---|
| **18+ scholarship programme**<br>18+ youth savings account holders, a majority of them students studying for the university entrance become eligible for close to 100 scholarships annually, selected on a two-tier process.<br><br>72 scholarships at LKR 30,000 each for students selected for any university based on a draw.<br><br>20 scholarships on merit for the highest marks in the four streams(Science, Mathematics, Arts and Commerce) | This year we awarded a total of 92 scholarships valued at LKR 2.8 million, to the best among our 18+ account holders who did well at the General Certificate of Education (advanced level) examination to secure admission to national universities |
| **Helping the youth towards excellence**<br>A series of educational seminars were held in the Northern Province for the benefit of students who sat for the General Certificate of Education (ordinary level) examination in 2012. | Duration one day<br><br>Participation- 819 students |
| **Educational loans**<br>Highly competitive local university entrance opportunities have resulted in a growing demand for private-sector tertiary education facilities both local and overseas. Gap filling requires financing as most of the aspirant students lack financial resources to meet their tuition fees and life-cycle needs. BoC educational loan programme ensures a hassle free pathway towards educational excellence. | At the end of the year our total loan disbursement under this segment was LKR 536 million for 90 beneficiaries. |

**School savings units- A spectacular performance**

| | End 2012 | End 2011 | Growth as a % |
|---|---|---|---|
| No of school unit savings accounts | 514,368 | 423,252 | 21.5 |
| Total savings (LKR Millions) | 614 | 492 | 24.7 |
| Average balance in an account | 1,450 | 1,100 | 31.8 |

# Growing Together with our Customers

## FOCUSING ON CUSTOMER SERVICE

### Customer service excellence programme

Advances in technology, ever changing customer needs, expectation levels and perceptions combined with the fierce competition in the financial services industry has made banking services a challenging business in terms of sustainability.

Competition, yes-ethical competition are pullers and pushers towards service excellence. Surviving in the present context requires the making of an achiever.

This year, we initiated a customer service excellence programme aimed at creating a super achiever outlook among our team. They would be the achievers of customer service excellence.

This programme conceptualized, formulated and conducted by the HR specialist and his team was an inter-active session conducted at operational level i.e branches, extension offices, business units and operational support units at head office. The programme covered customer service tips, handling telephone conversations, managing customer complaints and difficult customers.

This was a three hour work shop with power point presentations, lectures and role-plays enacted by the participants themselves ending with a feedback session on lessons learnt and critical issues.

Programme stretched through out the year and covered 110 branches, extension offices and business/support units with a participation of 1,876 team members representing 24% of the team strength in the Bank.

Evaluation ratings and enthusiasm showed by the team members were very high. 68% of the participants rated the programme as excellent and 22% rated it as good. Yet, the most impressive outcome through this whole exercise was the feedback from the team members. During the lively feed back sessions held after each work shop, they brought in a substantial number of critical issues that should be addressed.

The programme would continue in 2013 in the remaining branches/units, incorporating fresh ideas collected through feedback.

### Social management frame-work

Small and medium scale customers, funded by us under SMEDeF line of credit, a World Bank funded development initiative, have been brought in to a Social Management Frame-work.

In this programme, entrepreneur-borrowers are encouraged to fall in line with a comprehensive social management frame-work which encompasses human rights, maximum working hours, trade union representation, defined benefit plan minimum wages, maternity benefits that includes paid leave, work place accidental coverage etc.

In a broader context, SMF would not only usher industrial peace and optimum work life balance at our customer businesses, but also facilitate easy access to certain decent labour practice focused niche markets like the EU. In the end, customer businesses would convert in to multiple stakeholder entities, which is a basic sustainability perception.

### 5 S concept

The Bank has accepted 5 S concept for implementation across the branch net work.

At the end of the year, 18 branches had completed 5 S implementation while 71 more were on various stages of implementation.

This programme is implemented with awareness work-shops/seminars for team members at branch level. The training sessions create the environment and mind set for successful implementation. During the year 34 work shops were held facilitating planned implementation time lines.

| | |
|---|---|
| Western Province-South | 12 branches |
| North Central Province | 22 branches plus Province office |

Implementation of this concept would create a customer-friendly environment in the bank's business units.

### Model branch concept

The model branch concept brings an integrated lay out at front line business units doing away with front and back office compartmentalization which limited and restricted customer access to the back office of the branch.

Under the model branch concept, the entire branch is accessible to customers. They can now reach any service point within the branch. The spacious customer lobby can accommodate an ever increasing flow of customers.

With most of the routine back office functions relegated to the Central Back Office housed at the head office building, more team members have been released for customer care and customer service follow-up at field level.

During the implementation of the project, in addition to lay out changes, job descriptions of the team, authority levels, formats and mandates too were re-designed/re-vamped.

In 2012, 14 branches were converted as model branches bringing the total number of model branches to 266.

## TOWARDS PAPERLESS BANKING

### Our mobile banking solution

BoC pay mate, our mobile banking solution facilitates utility bill payments, fund transfers and insurance premia payments. It is virtual round the clock banking and supports the go-green concept eliminating paper usage in the process. The best queue management option available.

### Professionals as a distinct customer segment

A series of specially designed credit packages are in operation for country's professionals, medical officers, engineers, academics, IT professionals, HR professionals, financial managers and accountants and technologists. These packages have been designed with flexible and simple security cover, concessionary interest rates and extended repayment time lines and structured approval procedures.

### Women empowerment

We believe in the inherent strengths of women- more so the Asian women- their capabilities and determination. Irrespective of who the breadwinner is, they in effect manage the family treasury. This makes them prime contenders for reciprocative action. Our deposit product focused towards women- Kantha Ran Ginum is a unique one where we couple the investment with a free life insurance cover .

There are thousands of women-headed families across the island. A case in point is the small sea side village called Thriaimadu near Batticaloa where the entire village consist of women-headed house-holds. We have mobilised Thiraimadu women in to solidarity groups and given them micro-credit for livelihood development.

The latest endeavour is the Siriliya Loan programme which transforms self-employed women in to entrepreneurs. There are hundreds of women entrepreneurs assisted by us who are growing with the Bank.

### Sheltering the Nation

We have financed LKR 9.1 billion for 7,559 home-builders to put up dwelling-houses throughout the country. In addition, the bulk of our personal loan portfolio of LKR 27 billion too has gone in to housing construction and renovations. This means that around LKR 20 billion has been invested in sheltering the nation.

Customised housing loan programmes were introduced for the benefit of staff attached to selected government and quazi-government institutions including the Sri Lanka Institute of Information Technology, Road Development Authority, Geological Survey and Mines Bureau, National Insurance Trust Fund and the National University system.

## REACHING OUT TO THE NORTH-EAST

### Livelihood development

Post-war, the North-East faces many challenges, ranging from destroyed infrastructure to tattered livelihoods and large-scale displacement. The government and funding agencies have re-built the infrastructure to a large extent. The displaced population has been re-settled in their villages and homesteads. Yet, there are livelihoods that need to be re-started, repaired and made sustainable over time.

We were in the forefront in re-creating and re-building livelihoods in the North-East. It had been the story from the Jaffna peninsula to the Vanni, Trincomalee to Batticaloa, farming belt to fishing communities, urban centres to the hinterland. We extended financial assistance to a large number of displaced people- The Bank with the biggest largesse in its kitty.

## REACHING THE STARS

Ms S A T Nayananjali of Madampe Road, Udubaddawa is a 51 year old teacher-trainer attached to the Bingiriya Educational zone.

Two years back, she ventured in to Horticulture as a hobby. The hobby soon gave way for a thriving enterprise- an indirect exporter at that.

She raises Anthuriums and Sandriana under net-houses at her family compound in extent close to 2 acres. Anthurium cut flowers and Sandriana cuttings are purchased by several exporters at the Bingiriya Agro-export zone.

Her children-two boys aged 22 and 18 and her husband- a one time businessman help her in this business.

According to her, monthly profit from this venture averages around LKR 30,000.

All this with a modest loan of LKR 500,000 under the Siriliya loan programme.

# In focus RE-CREATING LIVELIHOODS

Ms K. Kalayarani of Kanakapuram, Chitra Sivakumar and S Mangaleshwari both of Jeyandinagar and V Vadanakanthan of Tiraveyyaru are customers of our Kilinochchi branch. There is one thing common among them. All of them were displaced during the final stages of the war and had to be in displaced camps for nearly an year and re-started their lives with BoC's financial assistance.

Kalarayani and her husband have commenced a grinding mill at Kanakapuram with two grinding machines, one of them a recent acquisition. They engage in bulk grinding and packeting of chillie, curry powder, spices and even attend to custom milling, realising a monthly profit of around LKR 30,000. The husband and wife duo are reinvesting their profits in to the business.

Chitra Sivakumar opened a motor cycle cum three wheeler service unit in front of her house. This work shop which is managed by her husband is an accredited service agent of David Peiris motor company. In addition to free service payment that is received from David Peiris, they earn circa LKR 25,000 from the repair work shop. With the flourishing business, Chitra has repaired her once dilapidated house, constructed a ramp for three wheeler servicing and saved LKR 70,000 in her savings account.

S Mangaleshwari, a young mother with a small child has embarked on a cement and concrete products fabrication unit which produces fence posts, ornamental concrete pillars and grills. On-going constructions in the Vanni has opened a ready market for this type of venture. The production is handled by her father and they source outside labour when orders peak.

V Vadanakanthan has ventured in to retail trade and agriculture. While running a grocery shop next to his house, which faces Iranamadu road, he cultivates banana (Sour/ash plantains and Kolikuttu) vegetables and a young coconut grove in three different fields ranging from 1 to 1 ½ acres. A father of two children, he is rising fast acquiring a three wheeler and renovating his house with his cash flows.

All four of them obtained their first loan up to LKR 90,000 under the Poverty Alleviation Micro finance Programme and the second one of LKR 200,000 from the awakening North credit line.

Four happy faces, looking forward towards the future with a little assistance from the Bankers to the nation.

# Short Term Crop Production

> Innovations that are guided by small-holder farmers, adapted to local conditions and sustainable to the economy and the environment will be necessary to ensure food security in the future.

**Bill Gates**
Co-founder and
Chairman of Microsoft

Short term crops, both food crops and cash crops are a key element in the country's agricultural landscape. Although the Plantation sector earns foreign exchange for the country. Yet, it is the small holder farmers engaged in paddy cultivation, other cereals , pulses and tubers, vegetables and fruits who keep on feeding the nation.

In this back drop, we have continually assisted the small-holder farmers in meeting their cost of cultivation. Today, we are the major provider of short term crop finance in the country, accounting for 38% of the total loan disbursement. The bulk of this funding has come through the New Comprehensive Rural Credit Scheme.

Post-conflict the North-East has shown an enormous appetite for short term crop finance. Five years back, it was the Mahaweli zone branches (Aralaganwila, Dehiattakandiya and Girandurukotte etc) that disbursed crop finance on a large scale. Now, it is the turn of the North-East branches like Kilinochchi in fertile Vanni and Achchuvely in the Jaffna peninsula.

**Changing perspectives in small farmer credit**

| | No of loans | % | Amount disbursed In LKR Millions | % |
|---|---|---|---|---|
| Northern Province | 19,775 | 54% | 2,628 | 73 % |
| Rest of the country | 16,742 | 46% | 958 | 27 % |

## THE SUCCESS STORY OF MAIZE

Sri lanka is now self-sufficient in maize, thanks to the vision and long term commitment by the CBSL and commercial banks. Today, maize has become a lucrative crop for the rain-fed dry-zone, more so in the Anuradapura and Moneragala districts. The fertile land in and around Galenbindunuwewa, Kahatagasdigiliya and Horowpotana in the North-Central Province and Siyambalanduwa and Buttala in Moneragala have become the maize belt in Sri Lanka.

We were an active participant- to be more correct the predominant participant- in the revival of maize cultivation across the country. Not only did we identify the farmer- borrowers, deployed field staff, facilitated finance on time lines, but also looked at the post-harvest marketing and created an effective market linkage mechanism through Forward sales contracts (FSVs). The Sustainability Report 2011 carried a case on our contribution to the success of maize farmers at Kehelulla Mithuru (friends) Development Society. The A state-of-the-art silo complex partly funded by us is now in operation at Mihintale on the A9 road. A similar facility is being put up in Moneragala. We have mobilised thousands of farmers under FSVs who have become regular suppliers to the major processors.

## EMPOWERING THE PRIORITY SECTOR

### Fisheries sector

The fisheries sector contributes 1.2% to the GDP, accounts for 70% of the protein consumption in the country, provides direct/indirect employment to circa 650,000 people and amounts to 2.5% of export earnings.

In addition to coastal fishing which represents 53% of the total catch and the off-shore/deep sea, the country has a huge potential in inland waters, lagoons and estuaries, brackish water bodies, fresh waterways, inland reservoirs, mangroves, mud flats and salt pans.

We have assisted this sector in all its diversity from deep-sea fishing (multi day boats and navigational equipment) coastal fishing (traditional craft, beach seining) inland fishery, aquaculture. Various credit programmes have been initiated to suit its diversity even to the extent of providing assistance for land-based fishery activities (dry fish/maldive fish and fermented fish).

We are aware that capture fishing has its limits. Worldwide, over fishing is a serious concern which has raised issues on long term sustainability of marine life. This inevitably calls for the culture of fish farming. It is apparent that the future belongs to cultured fish.

We have rightly moved on to this direction.

### FINANCIAL ASSISTANCE EXTENDED TO PUSH UP PRODUCTION

| Cultivation season | No of Farmer borrowers | Total Disbursement In LKR Millions |
|---|---|---|
| 2011/12 Maha | 4,149 | 192 |
| 2012 Yala | 590 | 22 |
| Total | 4,739 | 215 |

# In focus CAGE CULTURE FISHERY IN UPPAR LAGOON, KINNIYA

A group of fishermen in Kinniya near Trincomalee have begun an innovative fishery practice. They have teamed up with an export oriented fish processor (Aqua N Green (Pvt) limited) to try out fish farming through cage culture.

Here, cages made out of plastic barrels as floats connected by wooden planks arranged on a square grid and plastic netting underneath are securely placed in the upper lagoon. Fingerlings are introduced to the cages at 650 per cage and fed for six months till each fish weighs one kilogram. The entire harvest is bought by the processing company at LKR 250 a kg. Species of Sea bass(Moda) are raised entirely for the export market.

We have extended credit totaling LKR three Million, for this pilot project nevertheless a promising one.

## SUSTAINABLE DAIRY FARMING - AN EXAMPLE

Mr. Sumith Jayashantha, a middle-age farmer at Pahala Galkumbura, Mirahawatte engages in diverse agricultural ventures. He cultivates up country vegetables in the front portion of his homestead and practices dairy farming in the backyard. He had been engaged in traditional dairy farming- free grazing- for a long period. That was before 2010, when the Bank encouraged him to switch on to sustainable shed-based livestock farming.

Armed with a self-employment loan of LKR 210,000 from the Bank. He constructed a scientific dairy shed that can accommodate 10 animals and planted high-nutrient rich grass variety in an area approximately ½ an acre. This pasture takes care of his fodder requirement. Now, there are seven grown-up animals (Milch cows as well as heifers) and two female calves. Present average daily milk yield is around 20 litres which is bought by Ruwansiri Dairy, a local milk processor. Farm-gate price is around LKR 50, which ensures a regular fortnightly cash flow of LKR 15,000, which augments his highly volatile seasonal income out of vegetable cultivation.

## A NATIONAL PRIORITY - DAIRY SECTOR

Dairy farming, a sector that has still not reached its vast potential, has been identified by the government for speedy development. This sector encompasses a whole value chain from domestic dairy units to large scale semi-mechanised farms, breeding and transit farms, feed suppliers, veterinary services, milk collectors, milk and value added processors and retailers. We have financed the sector in all these sub-components. Funding has enabled sustainable, home -based, scientific dairy farming as against free grazing practiced by conventional dairy farmers, hand in hand with herd upgrading through artificial insemination, quality fodder management by way of high nutrient grass species, on-site veterinary services and market linkages with milk processors.

Our funding has enabled 1,500 domestic dairy units to become sustainable livestock ventures that produce quality fresh milk. Credit delivery was through multiple credit programmes at concessionary interest rates.

Market linkage is an area of concern that received our attention. This year too, we funded setting up milk processing units across the island. The Bank's own milk processing plant planned to be set up in the Vanni, a joint venture between one of our subsidiaries and an established milk processor is in the formative stage.

**The report card**

| | |
|---|---|
| Number of dairy farmer units (start up/expansion) | 2,449 |
| Total loan disbursement | LKR 698 million |
| Direct/indirect employment at farmer units and processing units | 5,240 persons |

## A DREAM COME TRUE
## RUWANSIRI DAIRY - WELIMADA

Ruwansiri dairy was involved in village level milk collection since the 1970s when it was operating as a milk collector with the National Milk Board. Later on, they were supplying milk to private sector milk processors.

Armed with the well established supply network, the business venture, now a limited liability company forayed in to milk processing in 2011 with funding to the tune of LKR 90 million extended by us under SMEDeF line of credit.

The state-of-the-art milk processing plant located at Yalpathwela, Welimada has facilities for fresh milk production as well as value added products; ie, butter, cheese, yoghurt and ice-cream. These products distributed under the brand name MILREN have carved out a sizeable market share in the Central and Uva Provinces.

The dairy has a close-knit supply network circa 2,000 dairy farmers spread out in the Nuwara-Eliya and Badulla districts, estate workers and villagers alike. These farmers have been organised into village-based farmer societies linked with a string of milk collection centres on 8-10 supply lines. Each collection centre serves approximately 45 villages. Collecting centres have been strengthened with mini-coolers.

A robust relationship based on close interaction is maintained with the farmer-suppliers. Regular animal health and fertility camps and technical training sessions on best-livestock practices are held with professional resources such as veterinary surgeons and livestock development instructors.

The project focuses on the quality of fresh milk. Incentives are in place with premium prices offered on the bacterial count in sourced milk.

The project has ensured meaningful employment for nearly 30 people and a wholesome income generation network among the farmer community.

## SME SECTOR

We have been a willing participant in SME revival in this country with a history going back to the 1970s when funding for SMEs was in an embryonic stage. A pioneer in Asian Development Bank funded ADB line of credit, followed by SMI credit lines running into four credit programmes and thereafter under World Bank funded SMAP and SMILE schemes, we were one of the most active participating financial institutions in providing SME funding to a large number of industrial projects across the country. Some of these entities have today become household names.

This sector plays a pivotal role in the country's economic development not only through value addition and exports but also through employment generation, both direct and indirect and also forward and backward market linkages created.

During the year we funded 635 SME ventures bringing the total loan disbursement to this sector to a staggering LKR 6.1 billion. The bulk of this funding has gone into food processing(24%) hotels and restaurants (16%), services sector (15%), health care (6%) and construction material (5%).

Assistance to the SME sector does not stop at provision of credit. Going beyond, on a credit plus mode, we are into capacity development in this customer segment. Hand in hand with this exercise, skill development of credit and relationship officers engaged in SME lending was undertaken.

**Entrepreneur capacity development**

| Programme content | No of programmes | No of participants |
|---|---|---|
| One day Entrepreneur development programme | 8 | 959 |

**Credit/relationship officer skill development**

| Programme content | No of Programmes | No of participants |
|---|---|---|
| One day work shop on environmental and social safeguards | 6 | 497 |
| Support for specialized Technical assistance two day programme | 6 | 618 |
| International training programme on SME lending skills - stitch in time | 1 | 40 |

The resilience of our SME customers is legendary and remarkable. This is why we reproduce the business life-stories of four of our entrepreneur-borrowers who faced challenges head on and still succeeded. They represent and portray the foremost driving factor - sheer determination - of the sector, which sets it apart from other customer segments.

## MANIK RICE MILL - UPPUVELY - TRINCOMALEE

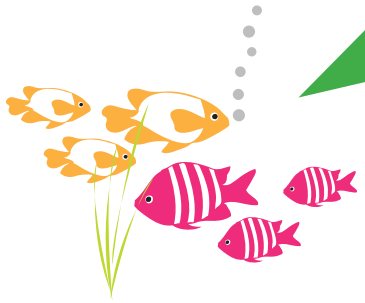
When Mr M Koneswaran approached the Bank in 2010 with a proposal to set up a rice mill in Trincomalee, we were skeptical. A rice mill in Trincomalee? Where is he going to source the raw materials? How does he manage to overcome stringent environmental guidelines in an urban environment? On the other hand, this was just on the aftermath of the war. Investments were much needed in the Eastern Province.

Yet, he was persuasive enough to convince the Bank. He did not want funds for a new building. Instead, he transformed one of his buildings which had earlier housed a garment factory in to a rice mill, complete with paddy soaking tanks. The mill, an automated one with a steam boiler, de stoners, rice polishers and elevators commenced operations in the latter part of 2010. True, there were initial hiccups. First year operations resulted in a loss primarily due to the unexpected volatility in raw material prices. Yet, he persisted with the project along the way disposing one of his assets to finance the gap. The business, as expected, bounced back.

The project located in a five acre land just outside the city proper, on Pulmodai road, employs 40 daily paid and contract workers.

Paddy is sourced from Padawiya, Morawewa, Muttur, Kinniya and Kantale. Established markets in Trincomalee town itself, Avissawella, Nittambuwa, Jaffna, Kilinochchi MPCS and Vavuniya take care of the production now at 15,000 kilograms a day.

The project was financed through a SME loan of LKR 10 million and seasonal working capital facilities up to LKR 32 million each season.



## OASIS FISH FARM - BADANAGALA - DEHIATTAKANDIYA

Mr D M Wimalasiri, an entrepreneur with a rare vision has ventured into a field where only a few would enter. With a back ground in inland fishery, he started an ornamental fish farm in a highland plot he leased out from the Mahaweli Authority. With the project showing promising results, he leased out another land nearby and expanded his operations in breeding and rearing different varieties of ornamental fish.

Half-way through his journey, Wimalasiri had to face an unexpected challenge, when his water supply line was disconnected by the authorities. As a result, his entire fish stock died. Yet, this entrepreneur did not abandon the project as someone else would have done, but trudged along with a little help from us.

Today, Oasis fish farm boasts an extensive array of breeding/rearing ponds both mud and cemented where 29 million fingerlings are in various stages of growth.

The farm has linked up with 400 out growers and close to 160 regular buyers, 10 large scale buyers and 150 others who are in the export of exotic fish. The project is complete with an on-site sales outlet, a fish feed manufacturing plant, an ornamental fishery accessory store and a suburban sales outlet at Kiribathgoda.

Creating direct employment to 36 people, the project has afforded indirect employment to thousands more at aquariums and sales outlets across the island.

The Bank's financial assistance totaling LKR 16 million, first under aquatic resources development project and subsequently under SMEDeF line of credit has gone a long way in creating this success story.

Incidentally, Mr Wimalasiri was honoured as the best entrepreneur of the year-medium scale category, North Central province this year.

## THE PHOENIX OF NALLUR

Sometime back, Mr. P Kumanadeepan was a versatile photographer in Jaffna. This was a business line he inherited from his father. Later, he moved into the Vanni and the business thrived, expanding into sound systems as well.

Then hell broke loose. His entire business with assets valued at LKR 7 million was completely destroyed during the war. Kumanadeepan himself became a displaced refugee. Looked after for nearly six months at Ananda Kumaraswamy camp, Cheddikulam, he was released in November, 2009. When he crossed the threshold at the refugee camp, he had two bags and nothing else with him. A polythene bag containing his worn out clothes and a polypropylene sack that contained basic provisions supplied by humanitarian agencies.

He returned to Jaffna with his meager possessions and thought of a way to rebuild his life and walked in to the Bank where he transacted in thousands in his hey day. Yet, the Bank was not accommodating. He was told to obtain a small loan to rear poultry.

Kumanadeepan was determined to succeed. He came to know through the grapevine that Bank of Ceylon was implementing a loan programme to help out displaced and affected population in the North.

Destiny took him to the Achchuvely branch which immeadiately gave him a loan of LKR 200,000 to re-commence his business followed by a further LKR 700,000. With this money he bought a high value camera and other equipment and established his business at Nallur. The bank extended short term credit  on his current account to meet working capital needs.

Today, Segar Sounds (named after his father) and Parthipan Studio (in memory of his dead brother) are household names in Jaffna. He is much sought out by the clientele both individuals and institutional that includes even the Indian consulate in Jaffna.

A classic example of rising out of the ashes.

## TRADITIONAL BUT INNOVATIVE- BUDDHI TRADITIONAL KEY

Buddhi traditional key seems an awkward name for a business entity. The business is not. This business venture, a customer with our Ambalangoda branch is engaged in paintings and artifacts copied from ancient temple murals, antique furniture, is a foreign exchange earner. In effect, it is a restorer of age-old art. The family business is now managed by Mr Aruna Nishantha Malalagama, a young entrepreneur hailing from Telwatte in the southern coast line.

This venture is unique. They visit old temples, ancestral manors and other places where paintings and sculptures are available , copy them and restore them on antique furniture, wall hangings and simply centuries old wood. A group of dedicated artisans-maestros in their trade-handle the restoration part.

What is interesting in this narrative is that the entire business with all assets, invaluable artifacts and every thing else was destroyed on that fateful day - 26th December 2004 - the day the tsunami invaded the island.

Yet, the business was restored to its former glory, with the help of concessionary funding by us. A favourite haunt of art-loving tourists, the business goes on with artifact restoration and earning much needed Euros and Dollars.

## STRENGTHENING FOOD SECURITY- CREATING MARKET LINKAGES

Expanding crop harvest (paddy, maize, onions and vegetables) entail marketing issues at the time of harvest where there is a glut in supply and rising prices during the off-season.
As a result of sheer volumes in harvest, funding for crop purchase has become a necessity towards a workable and viable market mechanism that would be mutually rewarding for producer-farmers and processor-buyers both.

BoC is the pioneer in facilitating market linkage funding in paddy/maize.

Volume of credit released for processors (rice millers and maize processors) during the year totaled LKR six billion.

| Season | No of facilities | Amount LKR Millions |
|---|---|---|
| Yala 2012 | 34 | 2,291 |
| Maha 2012 | 44 | 3,046 |

Part of this volume was backed up by forward sales contracts between the producers and processors. This mechanism ensures a stable price for the producers and an uninterrupted supply line for the processors.

## DEVELOPMENT CREDIT PROGRAMMES INITIATED IN 2012

| Programme profile, objective and target borrower group | Target Fund Usage LKR millions | Fund Usage In 2012 LKR millions |
|---|---|---|
| **Awakening North loan scheme - Phase II - Vadakkin Vasantham**<br>The programme targeted at permanent residents in the Northern Province aims to assist post-war livelihood development among the community. Credit facilities up to LKR 200,000 are offered at concessionary interest rates on a maximum of five year tenure with a grace period up to six months. The programme draws refinance funds from the CBSL upto 90% | 120 | 160 |
| **Negenahira Navodaya- Phase II-Kalakkin Uthayam**<br>Similar to Vadakkin Vasantham in a number of aspects, Negenahira Navodaya focused on Eastern Province. Here, residents in the Eastern Province are eligible to obtain credit up to LKR 250,000 for income generating activities. Interest rate, repayment period and grace period are similar to Awakening North. | 1,000 | 942 |
| **Special fisheries loan scheme under Divineguma**<br>This programme focuses on the economically vulnerable fishing community. Funds up to LKR 10,000 are offered for applicant-borrowers identified and recommended by the Ministry of Fisheries and aquatic resources to set up land-based fishery activities (dried fish, maldive fish, fermented fish etc) This is an interest free loan programme where only a one-off service charge at 4% is levied. | 100 | Just commenced |
| **Aquatic resource development and quality improvement project**<br>Funded by the National Development Bank managed refinance credit line, Miridiya Sampath is targeted at inland fishing, aquaculture, prawn farming, ornamental fishery, aquatic plants including tissue culture. Loans up to a maximum, of LKR 10 million are considered subject to a minimum equity contribution of 25% of the project cost. Loan tenure is five years with an optional grace period of 12 months. | 25 | Just commenced |

## DEVELOPMENT CREDIT PROGRAMMES INITIATED IN 2012

| Programme profile, objective and target borrower group | Target Fund Usage LKR millions | Fund Usage In 2012 LKR millions |
|---|---|---|
| **Thurusaviya credit scheme for rubber small holders**<br>Thurusaviya aims to develop rubber smallholders. Credit is available for new plantings, re-plantings, inter-cropping and smoke-houses. Borrowers have to be members of the Thurusaviya Fund, an organisation of rubber small-holders and own a minimum landholding of ¼ acre. The programme operational in 10 rubber-growing districts including Colombo has a maximum loan limit of LKR 300,000 and a loan tenure of three years with a grace period of six months. | 100 | Just commenced |
| **Ranmasu credit programme**<br>The programme would financially assist the minor export crop sector (spices/coffee/cocoa/betel/ betel nuts/lemongrass/citronella/cashew/sugar cane). Funding is available for, new cultivation, process development, entrepreneur capacity development, nursery development with special emphasis on women borrowers. The end result is expected to be quality enhancement in the sector with value addition that would expand export opportunities globally. | 500 | 4 |
| **REPPIA Scheme V**<br>The programme is implemented in collaboration with the Rehabilitation of Persons, Properties and Industries Authority. The target group is socially integrated rehabilitated trainees (ex-combatants) The goal being opening up avenues for their livelihood improvement. | 125 | 83 |

## THE PATH FINDER

| Socio-economic segment | Focused aspects/satisfied needs |
|---|---|
| Smallholder farmers | Cost of cultivation<br>Linkage with processors<br>Post-harvest price stabilisation |
| Fishermen | Forays into new innovations<br>Land-based fishery activities<br>Fleet modernisation<br>Gear and navigational equipment |
| Rubber smallholders | Concessionary loans for re-planting/new plantings<br>Assistance for smoke rooms<br>Inter-cropping |
| Low-income population-The poor | Mobilisation into self-help groups<br>Capacity development<br>Savings culture<br>Start up economic activities<br>Graduation to next socio-economic level |
| Minor-export crop small holders | Value addition avenues<br>Process development<br>Entreprenuer development<br>Nursery development |
| SME sector | Credit on flexible repayment terms/interest rates<br>Entreprenuer development<br>Sustainable labour practices<br>Go-green initiative |
| Women entrepreneurs | Self employment avenues<br>Low interest credit<br>Market linkages |
| Home-based dairy farmers | Environment friendly farming practices<br>Scientific dairy farming<br>Assistance for herd upgrade, pasture development and process development<br>Capacity building in livestock farming<br>Market linkages |
| Professionals | Life cycle needs |
| Home builders | Affordable housing loans |
| Migrant workers | Investment advice<br>Speedy fund transfers<br>Pre-departure credit on flexible terms<br>Loans for lifestyle needs |
| Internally displaced | Livelihood development<br>Re-construction of dwellings |

### Our footprints in development lending

Central Bank of Sri Lanka has recognised our footprints in development credit. We are the market leader in,

- NCRCS scheme (short term crop finance) - 38 % of total loan delivery
- Awakening North credit scheme - 33 %
- Poverty alleviation micro credit programme - 41.3%

# Growing Together With Our Team

When we say that our team is our most valuable asset, it means more, more than the financials. They are committed, focused and the driving force in our sustainability framework and we want them to constantly improve on their performance levels. It is not only about customer service excellence but extends further, revolving around sincerity, caring for the needy and being emotionally attached with the society, community, customers and the environment.

Team BOC is now 7,790 strong, evenly spread in gender with a slight tilt towards females and half of it under 35 years. This means that with each passing year, our team is getting younger, which is a welcome sign.

## EQUAL OPPORTUNITY

BoC is an equal opportunity employer. We do not practice gender-based compensation.

### NEW EMPLOYEE HIRES

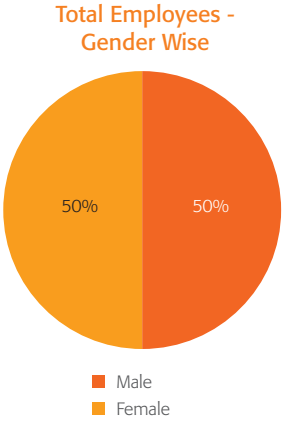
New hires are made at four levels.

- Support staff- Multi duty assistants
- Staff assistants and secretarial assistants - entry level at front line
- Management trainees - entry level for future leaders
- Specialised slots (professional) created in tandem with the Bank's corporate goals and business plan.

New hires under staff assistant and management trainee grades and specialised slots are on an extensive, transparent selection process with a written examination conducted independently by the National Examinations Department and an interview.

## NEW HIRES & TURNOVER IN 2012

| Employee category | New hires male | New hires female | Turnover during the year male | Turnover during the year female |
|---|---|---|---|---|
| Technical staff | 11 | - | - | - |
| Management trainee | 12 | 18 | - | - |
| Typist | - | 2 | - | - |
| Secretarial assistant | - | 1 | - | - |
| Support staff | 252 | - | 2 | - |
| Total | 275 | 21 | 2 | - |




New hire male: female ratio - 93:07
Rate of new hire turnover - 0.67%

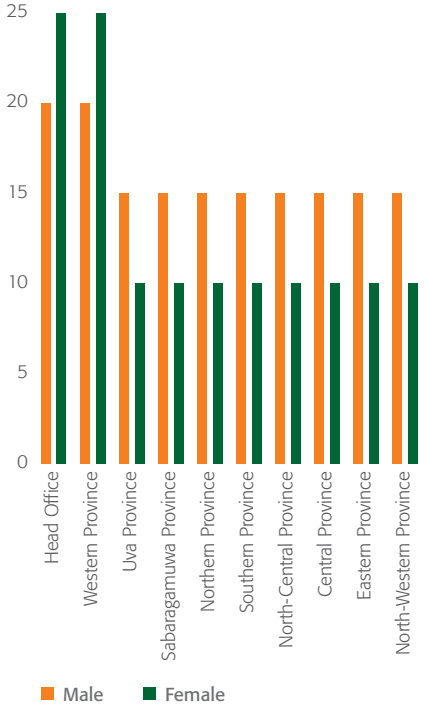
The bulk of the new hires was from driver and messenger grades which are filled exclusively by males.

Our expanding outreach and ambitious business plan calls for a strengthened front line team. In this back drop preliminary steps were taken during the year to recruit circa 1,400 trainee staff assistants. Out of a large number of applicants across the island, 53,949 sat for the competitive examination and successful candidates were interviewed during the latter part of the year.

## TEAM PROFILE

| Team by employment type/ gender | 2012 Male | 2012 Female | 2011 Male | 2011 Female |
|---|---|---|---|---|
| Permanent | 3,866 | 3,924 | 3,963 | 4,152 |
| On contract | 68 | 3 | 70 | 2 |
| Outsourced | 1083 | 24 | 1,076 | 22 |
| Total | 5,017 | 3,951 | 5,109 | 4,176 |
| **By employment category** | | | | |
| Corporate Management | 8 | 3 | 14 | 4 |
| Executive Management | 42 | 7 | 34 | 11 |
| Chief Manager | 71 | 26 | 73 | 26 |
| Senior Manager | 118 | 49 | 118 | 50 |
| Middle Management | 1572 | 1557 | 1,521 | 1,369 |
| Front line staff | 1415 | 2367 | 1,791 | 2,676 |
| Support staff | 640 | 15 | 418 | 16 |
| Total | 3,866 | 3,924 | 3,963 | 4,152 |
| **By geographical distribution** | | | | |
| Head office | 871 | 573 | 919 | 817 |
| Western Province | 897 | 1,349 | 855 | 1,236 |
| Central Province | 347 | 317 | 386 | 341 |
| Eastern Province | 242 | 145 | 247 | 150 |
| Northern Province | 245 | 215 | 217 | 222 |
| North Central Province | 261 | 234 | 269 | 239 |
| North Western Province | 314 | 297 | 338 | 320 |
| Sabaragamuwa Province | 196 | 250 | 205 | 255 |
| Southern Province | 317 | 344 | 347 | 364 |
| Uva Province | 176 | 200 | 186 | 208 |
| Total | 3,866 | 3,924 | 3,963 | 4,152 |
| **New employee hires By age group** | | | | |
| 18-24 years | 102 | 1 | 4 | 53 |
| 25-34 years | 136 | 20 | 160 | 316 |
| 35-44 years | 32 | - | 4 | 10 |
| 45-54 years | 5 | - | - | - |
| 55 and over | - | - | - | - |
| Total | 275 | 21 | 168 | 379 |

Employees Categorised by Region



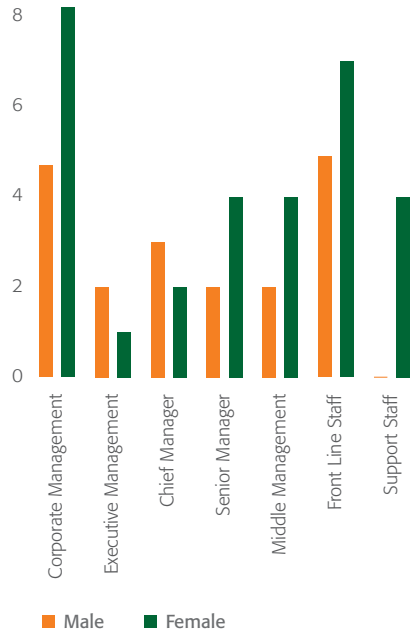
## TEAM PROFILE

| By Region | 2012 Male | 2012 Female | 2011 Male | 2011 Female |
|---|---|---|---|---|
| Head office | 92 | 2 | 26 | 90 |
| Western Province | 44 | 2 | 13 | 79 |
| Central Province | 16 | 2 | 10 | 27 |
| Eastern Province | 22 | 3 | 20 | 13 |
| Northern Province | 38 | 5 | 15 | 26 |
| North Central Province | 12 | 2 | 35 | 32 |
| North Western Province | 14 | 1 | 12 | 28 |
| Sabaragamuwa Province | 13 | - | 8 | 23 |
| Southern Province | 13 | 3 | 11 | 28 |
| Uva Province | 4 | 1 | 18 | 33 |
| Total | 275 | 21 | 168 | 379 |

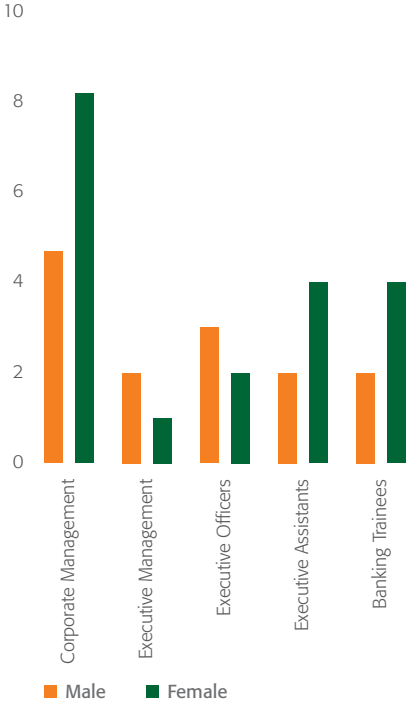
| Employee turnover by age group | | | | |
|---|---|---|---|---|
| 18-24 years | 2 | 1 | - | 2 |
| 25-34 years | 4 | 14 | 7 | 21 |
| 35-44 years | 1 | 3 | 3 | 1 |
| 45-54 years | - | - | 1 | 1 |
| 55 and over | - | - | - | - |
| Total | 7 | 18 | 11 | 25 |

| Employee turnover by region/gender | | | | |
|---|---|---|---|---|
| Head office | 3 | 4 | 5 | 3 |
| Western Province | 3 | 5 | - | 6 |
| Central Province | 1 | 2 | 1 | 1 |
| Eastern Province | - | - | 1 | 1 |
| Northern Province | - | 1 | - | 2 |
| North Central Province | - | - | 2 | 2 |
| North Western Province | - | 4 | - | 5 |
| Sabaragamuwa Province | - | - | 1 | - |
| Southern Province | - | - | - | 3 |
| Uva Province | - | 2 | 1 | 2 |
| Total | 7 | 18 | 11 | 25 |

Categorisation by Grade




Average Training Hours by Employee Category



### Employee compensation

Entry level wage is competitive vis-à-vis, rest of the domestic banking industry.

| | | | |
|---|---|---|---|
| Trainee staff assistants | - | First year | - LKR 12,500 per month |
| | | Second year | - LKR 14,000 per month |
| Management trainees | - | First six months | - LKR 25,000 per month |
| | | Next 1 ½ years | - LKR 28,000 per month |

## CAREER PATH DEVELOPMENT

New staff are assured of a streamlined career path development plan focused on capacity and skill development. Starting with customer care and support functions, they are encouraged and assisted to merge with general banking or various specialisations in banking. A job-related testing system is in place up to the grade of senior manager.

We encourage team members to become professionally qualified bankers. Team members who succeed at professional banking examinations conducted by the Institute of Bankers of Sri Lanka and Chartered Institute of Bankers, UK are paid a honorarium. A sum of LKR 14 million was paid on honorariums during the near 2012.

A defined promotion policy, with a laid out marking system, regulates internal promotions. They are regularly done on the basis of cadre requirement and the Bank's business plan necessities.

## PERFORMANCE EVALUATION

Performance appraisal methodology which measures performance was revamped during the year with the introduction of a simple four page format that would evaluate performance across corporate goals/objectives and competencies at a ratio of 70:30.

An employee record booklet was introduced which documents goals agreed, leave plan, job-rotation, special contribution beyond normal duty, skill development milestones. This facilitates performance review at the year end.

## SUPERANNUATION BENEFITS

### Defined benefit plan

BoC team is offered a range of benefits under a contributory provident fund and a widows and orphans' pension fund. The BoC pension fund which is non-contributory, assures a post-retirement financial umbrella. All three funds are managed by Boards of trustees which include team member/ pensioner representatives. Trustees ensure that funds are prudently invested yielding value over time. At the annual meetings of the funds, members can raise questions on fund feasibility and investment practices and also vote on policy decisions.

Annual actuarial valuations are done so as to determine funding gaps and remedial action.

As at end 2012, 5,616 pensioners and 1,281 widows and orphans' fund beneficiaries enjoyed superannuation benefits under the BoC pension fund, including 600 newly retired members. The fund balance in the BoC pension trust fund stood at LKR 49 Billion.

**We encourage team members to become professionally qualified bankers.**

### Terminal benefits

This benefit is two-fold.

- Team members who prematurely leave the Bank are paid gratuities based on the length of service.
- Retiring team members are offered a commuted pension payment of 24 months pension

### Medical assistance scheme

The health and well being of our team is one of our major concerns. A medical assistance scheme, which is nominally contributory covers health related costs of team members, spouses, parents if in case of unmarried members and unmarried children under 18 years. The scheme reimburses actual costs under multiple layers such as routine medical expenses, treatment by specialists, hospitalisation, surgery, corrective treatment, maternity and designated critical illnesses that require major surgery.

**Value of non-salary benefits in 2012**

| Category | Amount in LKR Millions |
|---|---|
| Contribution to pension fund | 1,690 |
| Contribution to provident fund | 636 |
| Contribution to widows and orphans' pension fund | 456 |
| Medical benefits reimbursed | 431 |
| Pensioner medical benefits | 281 |

### Concessionary loan facilities

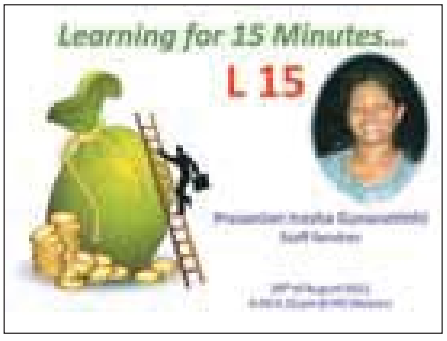
We offer our team members a comprehensive package of financial assistance at subsidised interest rates for ;

- Construction/acquisition of houses
- Across the board utility requirements
- Purchase of computers/motor cars for specified grades
- Emergency needs
- Educational purposes

In addition, they are also eligible to obtain facilities against their provident fund balances with top off option every six months.

### Training and skill development

Changing perspectives in banking industry, paced up technological advances and intense competition in the financial services sector has not only opened up new vistas but also pushed us towards service excellence,



speedier delivery modes and widespread need for knowledge update and skill development. It is only natural that training and development should play a major role in team performance in the long term.

We are focused in this dimension. Our Training arm, headed by an Assistant General Manager reporting to Deputy General Manager(Human Resources) is a committed participant in this initiative.

In addition to the spacious Central Training Institute at Maharagama, which is a fully equipped residential facility, mobility of participants and resource personnel alike has led us to open up training facilities in the head office building as well.

### VENTURING BEYOND TRADITIONAL CLASS ROOM LEARNING

Our training arm-Central Training Institute created another milestone this year with the e-learning initiative that would support and substitute class-room based training.

The first step was bringing in video conferencing technology as a training tool. The first-ever video conferencing work-shop styled a new pathway towards BoC products and services was held at Central Training Institute, Maharagama on 26th August 2012.

The training institute was simultaneously linked with five locations (Anuradhapura, Kandy, Ratnapura, Badulla and Galle) enabling live inputs by resource persons at these locations. Technical assistance for the programme was courtesy NODES (National Online Distance Education service and Sri Lanka Telecom PLC).

This innovative methodology surmounted one critical issue faced by our training arm in conducting training programmes for the team; viz: inability of branch staff in the periphery to send their chosen participants due to work load pressure and time constraints.

## EXTENT, SCOPE & PARTICIPATION OF TRAINING PROGRAMMES HELD DURING THE YEAR 2012

| Programme category | No. of programmes | Training hours | No. of participants |
|---|---|---|---|
| Communication skills & presentation techniques - Duo Soft Call Centre, E-mail and internet, Microsoft Excel, Word & Power Point, Business English writing skills for effective communication | 46 | 518 | 932 |
| Compliance & specialised areas - Credit operations on recovery and remedial management & security documentation, 5S for North Central Province branches, Basle II and Internal Capital Adequacy Assessment Process (ICAAP), CRIB modernisation - stage III secured transaction registry, Implementation of performance Appraisal System, Workshop on "Learn to influence lead for success getting the people you need on Board" | 50 | 382 | 3,725 |
| Customer service - Basic lending operations, branch staff awareness programme - NCRCS, In house training on trade finance for staff members in branches, PAMP II programme, trade financing & related services, customer service excellence, ICBS operation, delivering a pleasant front office experience, international trade operations, | 34 | 581 | 1,461 |
| Daily audit - monitoring & follow-up action in Sky Lease System, product awareness & auditing aspects of Sky Lease software solution - Module I, product awareness & auditing aspects of Sky Lease software solution - Module IV, Product Awareness & Auditing Aspects of Sky Lease software solution - Module III, product awareness & auditing aspects of Sky Lease software solution - Module IV, Sky Lease System post implementation Review | 16 | 176 | 326 |
| Investigation of fraud & prevention methods - ATM operations revamping for branches, awareness programme for staff members who represent BoC at foreign employment bureau, smooth functioning of the ATM | 4 | 34 | 256 |
| Other training - awareness programme on BoC Assurance operation, visit to BoC HO-Non Commissioned Officers of Management School, SLAF Academy, fresh beginning from retirement | 4 | 32 | 245 |
| Productivity techniques - Advanced credit management, awareness programme on development credit schemes, environmental management systems - SME, financial statement analysis for credit, international trading programme. SME lending, SME entrepreneurial skills development programme, workshop on SME credit appraisal | 45 | 948 | 2,590 |

## EXTENT, SCOPE & PARTICIPATION OF TRAINING PROGRAMMES HELD DURING THE YEAR 2012

| Programme category | No. of programmes | Training hours | No. of participants |
|---|---|---|---|
| Selling techniques - awareness programme on fisheries industry for Bank officers, induction programme for drivers, lease financing, Ran Surekum Naya Seva, secretarial skills development, automation of leasing business, fresh approach to BoC products & services thro' e-learning, slips operations, induction programme for multy duty assistants, operational & marketing aspects for secretarial staff, promoting of credit/debit card at branch level, Ran Surekum Naya Seva, special features of foreign currency deposit products and important international operations | 69 | 1,027 | 2,742 |
| Supervisory skills development - credit operations, induction programme for newly recruited management trainees, induction programme for managers, induction programme for newly promoted assistant managers, induction programme for staff in premises department, BoC centralised cheques clearing system (CCCS), ICBS facilities for effective branch management, induction programme for newly promoted junior executive officers - 2012, introduction to ICBS for management trainees, credit scoring model & segmentation of customers, identification of counterfeit notes & clean note policy. | 37 | 784 | 1,949 |
| Team building training - leadership at its best | 1 | 11 | 60 |
| Management development programme for senior managers & managers - The banking industry in Sri Lanka and its future, personal skills, technical skills, people management skills and team work, communication skills, innovation and creativity, customer progress, quality of work | 12 | 189 | 90 |
| Competency development training programme - strategic planning and sound business judgment, customer focus customer relations management, building high performance teams and developing people, creativity – innovation – different types of thinking & decision making, bias for action : initiative and follow through (The Go-Getter), decision making and problem solving, effective communication, negotiation : strategies for mutual gain, costing, achieving personal excellence, emotional intelligence, leadership, productivity & productivity enhancement practices, best management practices | 32 | 224 | 60 |
| Local training (provinces) | 192 | 1,547 | 21,003 |
| Languages [Tamil & English (H/O, branches & distance learning classes)] | 20 | 2,380 | 1,875 |
| Potential development programme (specially selected for future HR leaders) | 1 | 210 | 12 |
| Staff trained through other local institutions | 182 | 14,000 | 958 |
| Staff trained through overseas training institutions | 97 | 19,551 | 293 |
| Grand total | 842 | 42,594 | 38,577 |

## EMPLOYEE TRAINING ANALYSIS

| Employee category | No of training hours | | | | No of employees | | | | Average hours of training per year/gender | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2012 | | 2011 | | 2012 | | 2011 | | 2012 | | 2011 | |
| | Male | Female | Male | Female | Male | Female | Male | Female | Male | Female | Male | Female |
| Corporate Management | 1,177 | 656 | 606 | 1,941 | 42 | 16 | 35 | 28 | 41 | 34 | 20 | 14 |
| Senior Management | 13,512 | 8,547 | 1,864 | 1,454 | 1,472 | 944 | 65 | 53 | 28 | 26 | 13 | 12 |
| Executive Officers | 63,853 | 67,996 | 68,681 | 27,780 | 3,180 | 3,416 | 1,511 | 29,301 | 40 | 38 | 17 | 12 |
| Executive Assistants | 174,382 | 329,062 | 29,854 | 65,338 | 1,373 | 2,612 | 22,300 | 1,262 | 63 | 58 | 10 | 7 |
| Banking Trainees | 140,619 | 210,736 | 14,123 | 32,191 | 1,001 | 1,495 | 2,730 | 2,380 | 102 | 12 | 19 | 76 |

### Team performance in inter-bank competitions

For the second successive year, one of the three teams fielded by the Bank won the first place and a coveted trophy at the inter-bank quiz competition conducted by the Institute of Bankers of Sri Lanka.

## WORK-LIFE BALANCE

### Leisure facilities

Team BoC is provided with diverse leisure facilities at relatively economical tariff at hotel type rest-inns at Kataragama, Nuwara-Eliya and Anuradhapura and eight holiday homes /bungalows in central hills, Uva and Jaffna peninsula. Rest-inns have restaurant facilities while holiday homes are staffed with caretaker-cooks. These facilities have become very popular among the team.

Our resorts at Kataragama, Anuradhapura and Nuwara-Eliya have been officially recognised and recommended by Sri Lanka Tourist Board. During the year, 4,033 team members and their families availed accommodation at our rest-inns/holiday homes.

During the year, a 20 roomed new wing styled "Pinnacle view" was opened at Anuradapura Ceybank rest, bringing its full capacity to 92 guests.

Ongoing construction at Nuwara-Eliya Rest would add a further 26 rooms. Expanding Dickoya holiday bungalow with six rooms and an auditorium has been planned.

Land for a resort at Jaffna was acquired by the Bank this year. Plans are afoot to construct a multi-dimensional building complex on this land which would have a resort accommodation, conference hall and a training centre.

### Staff quarters in the periphery

With the outreach expansion that is taking place, staff accommodation at distant locations has become an issue. The Bank has a practice of providing subsidised lodging facilities at selected peripheral locations. At present, we maintain 26 staff quarters across the periphery in places like Anuradhapura, Kebitigollewa, Nuwara-Eliya, Ampara, Hatton, Aralaganwila, Dehiattakandiya, Vavuniya etc. These facilities have been provided with caretaker-cooks supplied by our fully-owned subsidiary, Ceybank Holiday Homes (Private) Limited. Around 300 team members had used this facility during the year.

### Health care, workplace safety and sports facilities

- During the year a medical centre managed by Lanka Hospitals PLC was established at the head office building . Manned by a medical officer and a nurse, this facility is available between 08.30- 16.20 daily. The centre provides free medical consultation, advice on consultant reference, first aid, laboratory tests and drug dispensing at a discount and a free ambulance service between the Bank and Lanka Hospitals PLC.

## Cultural and religious diversity

There is a very high diversity in terms of ethnicity and religion in our team. Associations espousing all four major religious faiths have organised themselves and engage in multiple religious observances. These groupings receive financial assistance for their activities.

The team has organised themselves into savings societies, benevolent associations. These associations, funded by member subscriptions and pay-outs, extends financial assistance for life cycle needs, emergencies and at termination from service. The Bank provides office space and communication facilities for these associations.

Two literary associations (Sinhala/ English) engage in creating cultural literacy among the team. They also provide reading room facilities and conduct various literary competitions annually for team members/their children.

## Human rights

In as much we respect and uphold human rights, there were instances of grievances by team members alleging discrimination. There is an established mechanism for them to air their grievances and seek redress. Human Resources Division receives and addresses complaints on human rights violations.

- First aid boxes and fire protection equipment are in place at all business units, divisions and branches.
- Two fully equipped gymnasiums have been located at head office and Taprobane buildings which can accommodate around 3,000 team members.
- The Welfare Department has conducted several programmes concerning health and work place safety. The sessions were conducted by eminent medical professionals.
- Regularly trained floor wardens have been assigned to all floors at the head office building.
- Emergency evacuation drills were held on an irregular basis at head office building to ensure efficient evacuation planning.
- The Bank's Sports Club mobilises and organises the team in sports activities (cricket, soccer, swimming, net ball, indoor games etc)
- Each province and head office business and support divisions have held their annual sports meets on a pre-arranged basis.
- We allow paid leave for team members for sport practices and tournament participation.
- Sports and recreational clubs are in place at branch level. These clubs receive an annual grant that finances their activities.

### Summary of reported human rights grievances

| Grievance level | Male | Female | Total |
|---|---|---|---|
| Total number of human rights grievances brought forward from 2011 | 18 | 4 | 22 |
| Total number of human rights grievances reported in 2012 | 1 | 1 | 2 |
| Total number of grievances resolved during the year | - | - | - |
| Total number of grievances outstanding at the end of the year | 19 | 5 | 24 |

# Growing Together With The Economy

## ECONOMIC PERFORMANCE

With each passing year, we have been constantly improving our economic performance. This has been a regular feature so much so the country is expecting us to create milestones in our journey. During the year, the Bank created a significant milestone, reaching an asset base of LKR one trillion.

An ever increasing trend in economic performance ensures that all our stakeholders get their share of the pie. The growth in shareholder funds raises capital adequacy. Increase in the deposit base expands our lending capacity. The team gets its share in enhanced compensation packages. Fund providers receive adequate returns for invested funds. The owner shareholder too gets their due share, by way of dividends and taxes that go into treasury coffers.

> "BoC maintains a customer-focused interest rate regime. It has not only assured a steady income for depositor stakeholders but also spurred growth across all sectors in the economy"

### Economic value addition

The total return on invested capital increased by 35% YoY. Net economic value addition of LKR 10.1 billion reflects a yield of 25%.

### Indirect economic benefits

BoC maintains a customer-focused interest rate regime. It has not only assured a steady income for depositor –stakeholders but also spurred growth across all sectors in the economy- SMEs, micro sector and larger businesses.

There are other factors with considerable interest. The market stabilisation in paddy is one key area where we have made our presence and contribution felt. Market linkages we helped create and employment generation throughout the country with so many people starting up so many ventures, big and small, escapes the quantifying process.

## ECONOMIC VALUE ADDITION

| | 2012 LKR millon | 2011 LKR millon |
|---|---|---|
| INVESTED CAPITAL | | |
| Average shareholders' funds | 46,153 | 35,630 |
| Revaluation reserves | (5,222) | (4,613) |
| Bonus shares issued in 2006 | (1,400) | (1,400) |
| | 39,531 | 29,617 |
| RETURN ON INVESTED CAPITAL | | |
| Profit after taxation as reported | 14,417 | 11,918 |
| Depreciation attributable to the revaluation surplus | (522) | (461) |
| Total return on invested capital | 13,895 | 11,457 |
| Opportunity cost of invested Capital* | (3,763) | (2,103) |
| Economic value added | 10,132 | 9,354 |
| * Weighted average 12 months Treasury bill rate | 9.52% | 7.10% |

## SOURCES AND DISTRIBUTION OF INCOME

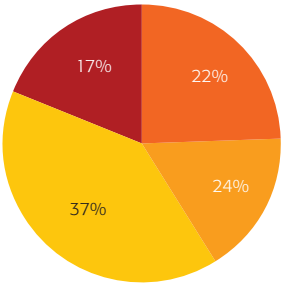
| For the year ended 31 December | 2012 LKR million | 2011 LKR million |
|---|---|---|
| SOURCES OF INCOME | | |
| Interest and similar income | 95,022 | 61,222 |
| Foreign exchange profit | 1,823 | 154 |
| Fee & commission income | 7,320 | 6,676 |
| Investment income | 4,140 | 667 |
| Other income | 1,833 | 1,738 |
| | 110,138 | 70,457 |
| DISTRIBUTION OF INCOME | | |
| To depositors & other lenders | 59,701 | 36,215 |
| To suppliers and service providers | 7,637 | 6,125 |
| To employees | 12,927 | 10,460 |
| To Governments | | |
| - As dividends | 5,346 | 3,846 |
| - As taxation (Including income tax, VAT on financial services) | 8,722 | 6,115 |
| Retained by the Bank | | |
| - Reserves | 9,071 | 8,072 |
| - Depreciation/ amortization | 960 | 913 |
| - Impairment charges for loans & other losses | 5,904 | (2,257) |
| - Deferred tax | (130) | 968 |
| | 110,138 | 70,457 |

## VALUE ADDITION

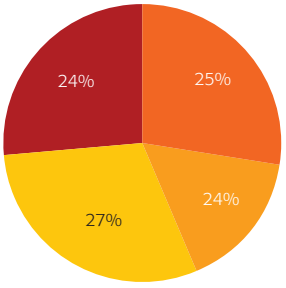
**The following table illustrates that the value generated during the period was allocated among the key stakeholders of the Bank.**

| | 2012<br>LKR millon | 2011<br>LKR millon |
|---|---|---|
| **Value Added** | | |
| Income earned by providing banking services | 105,674 | 69,512 |
| Cost of services | (46,385) | (30,986) |
| Value added by banking services | 59,289 | 38,526 |
| Non - banking income | 4,464 | 945 |
| Impairment charges for loans and other losses | (5,904) | 2,258 |
| | **57,849** | **41,729** |
| **Value Allocation** | | |
| To employees | | |
| salaries, wages & other benefits | 12,927 | 10,460 |
| To Government | | |
| Dividends paid to Government of Sri Lanka | 5,346 | 3,846 |
| Income tax | 5,508 | 3,599 |
| Value added tax | 3,214 | 2,516 |
| | 14,068 | 9,961 |
| To providers of external funds | | |
| Interest on debt issued | 4,619 | 3,770 |
| Interest on other borrowings | 16,334 | 7,585 |
| | 20,953 | 11,355 |
| To expansion & growth | | |
| Retained profit | 9,071 | 8,072 |
| Depreciation & amortisation | 960 | 913 |
| Deferred taxation | (130) | 968 |
| | 9,901 | 9,953 |
| | **57,849** | **41,729** |

Value Addition 2012




Value Addition 2011




- To employees
- To Government
- To providers of external funds
- To expansion and growth

# Growing Together With The Environment

> We do not inherit the earth from our ancestors. We borrow it from our children.

**American Indian Chief Seattle**

## ABOUT US

As a service provider, our operations do not adversely affect the environment in which we operate. We have not set up business/operational units in areas of high bio-diversity, natural habitats and vulnerable eco-systems. Yet, we do consume a substantial quantity of water, paper , fuel and electrical power in maintaining our operations. We have focused and continue to focus on recycling and conservation of these scarce resources. The re-cycling processes and energy saving initiatives show that even a little bit of imagination can go a long way to make this planet a better place to live. As the first step, we have incorporated a water treatment and recycling facility at the newly constructed "Pinnacle view" wing of Ceybank Rest Anuradhapura.

On another perspective, we have accepted green building concept as a basis of our planned capital expenditure. The first green building of BoC would be a reality this year.

## OUR CONSUMPTION VOLUMES

| Resource/Consumption ratio | 2012 | 2011 |
|---|---|---|
| Electricity consumption (MWh) | 22,155 | 16,645 |
| Consumption rate on average assets | 2.35 | 2.15% |
| Consumption per employee (MWh) | 2.84 | 1.79 |
| Water usage (Litres) | 324,653 | 261,403 |
| Usage rate on average assets | 34.46 | 33.72% |
| Usage per employee (Liters) | 41.68 | 28.53 |
| Fuel consumption (Litres) on business travel | 1,164,634 | 932,242 |
| Fuel usage as a rate on average assets | 123.62 | 120.25% |
| Fuel usage per employee (Liters) | 149.50 | 114.87 |

### Our energy footprint

- Fuel - 42,458 Giga Joules
- Electricity - 79,758 Giga Joules

## WASTE RE-CYCLING INITIATIVES

### Waste paper

We have arranged to dispose of the entire waste paper at the head office and branch net-work to a recycler, a carbon certified company. 167,239 kg of waste paper was disposed of during the year. This was done on a regular basis with corrugated paper bins placed on each of the 30 floors at head office building/branches. This initiative has helped to save;

- 2,843 fully grown trees
- 668,956 kWh of electricity
- 293,504 litres of oil
- 502 cubic metres of land fill
- 5,314,855 litres of water

And reduce green house gas emission by 167,239 kg of carbon equivalent

### Towards paperless decision making

This year we created history by switching over to in-house electronic communication. Under this arrangement, memoranda both credit and operational, are routed to the iPads of the Board of Directors/Corporate Management. This will substantially reduce paper usage in memoranda submission and also storage space would be freed.

### Electronic (IT) waste

Discarded electronic waste consisting of 100 nos each in computer monitors, central processing units and printers was disposed of to a recycler licensed by the Central Environmental Authority.

### Energy/fuel saving initiatives

- Replacement of 2*18 linear fluorescent fittings with CFL in wash rooms.
- Replacement of 2*36 magnetic ballast with electronic ballast and efficient luminary in office areas (partially completed).
- Introducing $CO_2$ sensor and VCD system to control 15kW exhaust fans in the basement.
- New purchases of computers only with LCD display.
- Chiller running hours reduced by 1.30 hours a day on week days.
- Air conditioning restricted to one weekend/month.
- Lights in lobby areas, pantries, wash rooms are switched off or minimum lighting maintained.

- Travelling together for official purposes introduced. This minimise use of vehicles. Organised training at province level with a view to minimising travelling.
- Branches have been given targets to reduce electricity/fuel consumption by 5-10% from the present levels.

## OUR RELATIONSHIP WITH ENVIRONMENT FOCUSED INITIATIVES

There is a healthy environmental lobby and an environment-friendly media in the country. We on our part have created an opportunity for a mutually rewarding relationship with both of them. Sri Lanka Rupavahini Corporation and the Green Forest Association are our trusted partners in the quest for environmental preservation and the go-green concept.

### Rividina Arunella

The highly popular Sunday morning feature programme- Rividina Arunella- is sponsored by the Bank.

A programme that has won many accolades, it focuses on creating public awareness on sustainable agriculture, organic farming, rain water harvest and eco-system preservation. The message that is incessantly driven is that farming is not a mere vocation confined to rural farmers, but a life-style in itself that can be practiced even in the urban concrete jungle. It does not stop at environment-friendly, toxic- free sustainable agricultural practices but goes beyond, venturing into health and nutrition, good food and food security, women empowerment and poverty alleviation, a whole array of innovative imaginations borne out of necessity , potted cultivations and hanging gardens, leafy vegetable cylinders and vegetable beds created out of discarded tyres.

### Green Forest Association

Green Forest Association, a local voluntary organisation involved in environmental protection and social mobilisation aimed at environmental awareness has gone to the grass root level where they promote environmental initiatives at schools. The idea is to create a balanced and optimum learning environment. This award winning association conducts an annual competition among schools islandwide to select and reward the ones with best conservation and environment-focused innovation. The thrust of the programme is on waste management initiatives, home gardening, agricultural crops, forestry, creative structures that blend with the nature (ponds, mini- reservoirs and abodes) class room maintenance, foliage and flowering plants and special environmental programmes and awards won by the students.

The Bank sponsored the programme for the third year in succession funding national, provincial and district level awards.

## INTER-ACTION WITH OUR CUSTOMERS

A key stake-holder segment, our customers, impact the environmental balance through their business operations. This is more so in the case of customers engaged in agriculture, agri-business and industries. This is a sensitive issue, which thrusts environmental concerns alongside development and consumption of natural resources. While assisting our customers in their business cycle development we do consider the Bruntland Commission's definition on sustainability, precautionary approach in Rio principles and other sustainability concerns. It is indeed a tight-rope walk, yet as the premier national bank, we are accustomed to tight-rope walking.

We are gradually incorporating environmental guidelines in our lending operations.

### Environmental Impact Management Frame-work

SME projects and entrepreneurs have been brought under a comprehensive Environment Impact Management framework where both pre-approval (exclusionary list, Initial screening, classification in terms of impact level) and post-sanction (monitoring and follow-up) stages are covered.

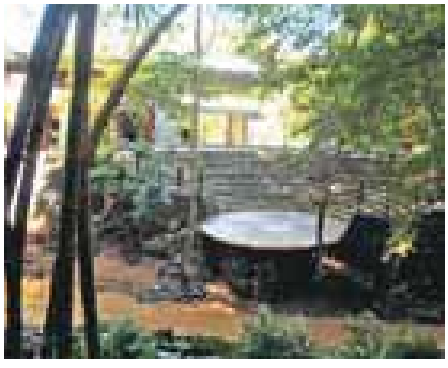
A range of factors and measurements are used at project evaluation. These include;

- Soil condition including probable soil erosion
- Type and depth and adequacy of ground water
- Storm water collection and drainage
- Water stagnation due to burrowing
- Existing land use pattern and any visible conflicts
- Probable loss of eco-systems, habitats, hot spots and endemic species
- Probable conflicts with natural resource management
- Exposure to hazardous waste, toxic matter and chemical spillovers during operations and transport
- Noise level, ground vibration during operations
- Trigger changes in the existing environment

## Green investments

The future belongs to green investments. This sector will be spearheaded by climate business finance, alternative power generation through wind/solar/hydro resources, organic farming and natural seed propagation, forestry and renewable timber, waste re-cycling and tourism that will not be a burden on the eco-systems and habitats. We have taken meaningful steps to increase our financial assistance towards green investments. Our loan portfolio now exceeds LKR 2.5 billion.

| Initiative | Funding commitment in LKR Millions |
|---|---|
| Ross Hydro Power (Pvt) Limited envisages setting up a 4.6 MW hydro power plant at Metihakka, Matale. This site across the Sudu Ganga had a mini hydro power plant commissioned in 1928. The proposed project will have a weir across the river at an adjacent location. The project has environmental clearance. | 320 |
| Eco-friendly Power Developers (Pvt) Limited plans to set in motion a hydro power plant of 1.2 MW at Denawaka Ganga, Wewelwatte in the Ratnapura district. Environmental impact assessment has been completed and construction of the weir across Denawaka Ganga, penstock, head race channel and power plant has received environmental clearance from the Central Environmental Authority. | 150 |
| Senok Wind Energy (Pvt) Limited and Senok Wind Resources (Pvt) Limited together have embarked on having two wind power generation plants, each with a power generation capacity of 10 MW at Mampuri, Kalpitiya on the North-Western coastline. The project would contribute electricity out of renewable energy sources (wind power) to the national grid, lessening the dependence on fossil fuel and thermal power. | 670 |
| Rosen Lanka (Pvt) Limited has completed a eco-friendly resort on Udawalawe- Thanamalwila Road, the newest addition to the string of resorts in and around Udawalawe National Park. The only 3 star facility in the area, the resort blends with nature, where only a minimum number of trees were felled for site clearing. A striking feature at the facility is its swimming pool, fashioned from the natural waters of the adjacent Mabotu Oya, under the shade of well grown kumbuk (Terminalia Arjuna) trees.<br>The project also incorporates a sewerage treatment plant and a waste water recycling unit that enhances its manifested eco-friendly concept. | 410 |
| Jungle Beach Resorts (Pvt) Limited is another eco-friendly resort project in a sprawling beach property at Kuchchavely in Trincomalee. The resort which consists of 50 beach villas has been developed with minimum intrusion to the surroundings. | 295 |
| Associated Resort Developers (Pvt) Limited owns Uga bay resort, located along Pasikudah beach, Batticaloa, that has 48 eco-friendly beach cabins. | 270 |
| Aliya Resorts and Spas (Private) Limited is in the embryonic stage. The project promoters plan to commission a chalet type resort near Sigiriya that will perfectly blend with the natural dry-zone beauty. | USD 3.7 million |



# A case study

An eco-friendly industrial project funded by our Homagama branch stands out as a shining example. Funded with a modest loan of LKR 10 million, it showcases what can be done even in a congested suburban environment. What you need is a little bit of innovation, may be imagination- and a helping hand from a committed financier.

## **CARING FOR THE ENVIRONMENT** - AP INDUSTRIES (PVT) LIMITED

Mr. Ajith Rohana started his life as a worker in a suburban polythene plant. Grueling work at the plant led him to think about starting his own business.

He left his employment and turned his hands to waste polythene collection from house holds, factories and businesses. These he sold to a polythene processor. He engaged in this business for 1 ½ years, saved enough money to start his own venture and commenced a small polythene re-cycling plant at his ancestral home at Malapalla, Kottawa. Initially, he and a friend toiled in the business, round the clock. Daily production was around 600-700 kg.

That was in 1998. Today, his operations have expanded to three separate plants. At Malapalla and Meegoda. The Meegoda factory on a sprawling land of five acres was commissioned in 2004.

Used and discarded polythene and plastics are collected at site. There are around 15 large-scale and regular suppliers linked with the industry.

The project turns out tulip bags, laundry bags and polythene/polypropylene film out of discarded materials. Average daily production is 50-60 MT. Monthly sales hover around LKR five million.

All this with an initial SME loan of LKR 10 million and subsequent short term finance extended by the Bank.

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# INDEPENDENT ASSURANCE REPORT TO THE STAKEHOLDERS OF BANK OF CEYLON ON THE SUSTAINABILITY REPORT – 2012

## INTRODUCTION AND SCOPE OF THE ENGAGEMENT

The management of Bank of Ceylon ("Bank") engaged us to provide an independent assurance on the following elements of the Sustainability Report 2012 ("the Report").

- Reasonable assurance on the information on financial performance as specified on pages 209 and 210 of the Report.
- Limited assurance on key performance indicators and other information presented in the Report.

## RESPONSIBILITY OF THE MANAGEMENT ON THE REPORT

The Management of the Bank is responsible for the preparation and presentation of the Report in accordance with the Bank's sustainability practices and policies which are derived from Global Reporting Initiatives (GRI-G3.1) Sustainability Reporting Guidelines. These responsibilities include among other things, identification of stakeholders and material issues, determining the sustainable performance criteria for reporting and establishing appropriate processes and internal control systems to measure and report the sustainability performance criteria.

## OUR RESPONSIBILITY

Our responsibility is to perform a reasonable and limited assurance engagement and express conclusions based on the work performed in accordance with Sri Lanka Standard on Assurance Engagements (SLSAE 3000): 'Assurance Engagements other than Audits or Reviews of Historical Financial Information', issued by the Institute of Chartered Accountants of Sri Lanka ('ICASL').

Reasonable assurance is a high level of assurance. However, reasonable assurance is not an absolute level of assurance because there are inherent limitations of assurance engagement.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement and consequently does not enable to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement.

This Report is made solely to the Bank in accordance with our engagement letter dated 4th March, 2013. We disclaim any assumption of responsibility for any reliance on this Report to any person other than the Bank or for any purpose other than that for which it was prepared. In conducting our engagement, we have complied with the independence requirements of the Code of Ethics for professional Accountants issued by the ICASL.

## ASSURANCE PROCEDURES CARRIED OUT

### Financial Information

We reconciled the information on financial performance as reported on pages 209 and 210 of the Report with the audited financial statements of the Bank for the years ended 31st December, 2011 and 2012.

### Key Performance Indicators

We reviewed the reliability of the data/information on Key Performance Indicators for the year ended 31st December, 2012 based on reviews of:

- the systems used to generate, aggregate and report these information;

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Partners : S. Rajapakse FCA, MBA. Ms. M.S.E.Raymond FCA. S. G. Ranjith ACA. Tishan H. Subasinghe FCA, CISA
H.S.Rathnaweera ACA. Ashane J.W. Jayasekara ACA. MBA. H.M. Saman Siri Lal ACA
Consultant : V. Sinnadorai FCA

- the information reported by the relevant business units to corporate level;
- the information validation processes at corporate and business level;
- the information trends in discussions with management and
- the calculation performed by the Bank on a sample basis through recalculation.

**Other Information**

We planned and performed following assurance procedures on other information presented in the Report:

- Inquiring relevant Bank's personnel to understand the process for collection, analysis, aggregation and presentation of information in the Report.
- Reviewing the system used to generate, aggregate and report the information in the Report.
- Interviewing the senior management and relevant staff at corporate level and selected business unit level and obtained the evidence concerning sustainability strategy and policies for material issues and implementation of those across operation of the Bank.
- Reviewing and validating the information contained in the Report.
- Reading the information presented in the Report to determine whether that information is in line with our overall knowledge of, and experience with, sustainability performance of the Bank.

**CONCLUSION**

Based on the procedures performed, as described above, we conclude that:

- The information on financial performance as specified on pages 209 and 210 of the Report is properly derived from the audited financial Statements of the Bank for the years ended 31st December, 2011 and 2012.
- Nothing has come to our attention that causes us to believe that key performance indicators and other information presented in the Report are not presented, in all material respects, in accordance with the Bank's sustainability practices and policies which are derived from GRI (G3.1) Sustainability Reporting Guidelines.

BDO Partners

**CHARTERED ACCOUNTANTS**

8th April 2013
Colombo

## G3.1 STANDARD DISCLOSURES INDEX

| No. | Description | Location/reference | Page no. |
|---|---|---|---|
| 1 | Strategy and Analysis | | |
| 1.1 | A statement from the most senior decision maker of the organisation (e.g., CEO, chair, or equivalent senior position) about the relevance of sustainability to the organisation and its strategy. | Sustainability Report | 158 |
| 1.2 | Description of key impacts, risks and opportunities | Sustainability Report | 160 |
| 2 | Organisational profile | | |
| 2.1 | Name of the organisation | Bank of Ceylon | |
| 2.2 | Primary brands, products and/or services | Products & Services | 358-365 |
| 2.3 | Operational structure of the organisation, including main divisions, operating companies, subsidiaries and joint ventures. | Management Discussion & Analysis | 54-93 |
| 2.4 | Location of organisation's headquarters | "BOC Square" No. 01, Bank of Ceylon Mawatha, Colombo 01 | |
| 2.5 | Number of countries where the organisation operates and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report | Sustainability Report | 166, 176 |
| 2.6 | Nature of ownership and legal form | Inner Back Cover | |
| 2.7 | Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries) | Management Discussion & Analysis | 54-93 |
| 2.8 | Scale of the reporting organisation | Business Highlights | 4-5 |
| 2.9 | Significant changes during the reporting period regarding size, structure, or ownership | Sustainability Report | 154-157 |
| 2.10 | Awards received in the reporting period | Sustainability Report | 167 |
| 3 | Report parameters | | |
| 3.1 | Reporting period (e.g., fiscal/calendar year) for information provided | 1st January 2012 to 31st December 2012 | |
| 3.2 | Date of most recent previous Report | December 2011 - Issued in March 2012 | |
| 3.3 | Reporting cycle (annual, biennial, etc.) | Annual | |
| 3.4 | Contact point for questions regarding the report or its contents | Sustainability Report | 153 |
| 3.5 | Defining report content | Sustainability Report | 153 |
| 3.6 | Boundary of the Report | Sustainability Report | 153 |
| 3.7 | Any specific limitations on the scope or boundary of the Report | Sustainability Report | 153 |
| 3.8 | Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations and other entities that can significantly affect comparability from period to period and/or between organisations. | Sustainability Report | 154 |
| 3.9 | Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report | Sustainability Report | 154 |
| 3.10 | Explanation of the effect of any restatement of information provided in earlier reports and the reasons for such re-statement | Sustainability Report | 154 |

## G3.1 STANDARD DISCLOSURES INDEX

| No. | Description | Location/reference | Page no. |
|---|---|---|---|
| 3.11 | Significant changes from previous reporting periods in the scope, boundary or measurement methods applied in the Report | Sustainability Report | 154 |
| 3.12 | Table identifying the location of the standard disclosures in the report | Sustainability Report | 217-223 |
| 3.13 | Policy and current practice with regard to seeking external assurance for the report | Sustainability Report | 154 |
| 4 | Governance, commitments and engagement | | |
| 4.1 | Governance structure of the organisation, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organisational oversight. | Board and Board Subcommittees | 138 |
| 4.2 | Indicate whether Supervisory Board member is also an executive officer | No | |
| 4.3 | For organisations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members | Sustainability Report | 167 |
| 4.4 | Mechanisms for shareholders and employees to provide recommendations or directions to the highest governance body | Corporate Governance | 108-137 |
| 4.5 | Linkage between compensation for members of the highest governance body, senior managers and executives and the organisation's performance | There is no such linkage | |
| 4.6 | Processes in place for the highest governance body to ensure conflicts of interest are avoided | Corporate Governance | 108-137 |
| 4.7 | Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organisation's strategy on economic, environmental and social topics | Corporate Governance<br>Board and Board Subcommittees | 108-137<br>138-148 |
| 4.8 | Internally developed statements of mission or values, codes of conduct and principles relevant to economic, environmental and social performance and the status of their implementation | Board and Board Subcommittees | 138 |
| 4.9 | Procedures of the highest governance body for overseeing the organisation's identification and management of economic, environmental and social performance, including relevant risks and opportunities and adherence or compliance with internationally agreed standards, codes of conduct and principles | Sustainability Report<br>Board and Board Subcommittees | 161<br>138 |
| 4.10 | Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental and social performance | Sustainability Report<br>Board and Board Subcommittees | 163<br>138 |
| 4.11 | Explanation of whether and how the precautionary approach or principle is addressed by the organisation | Sustainability Report | 168 |
| 4.12 | Externally developed economic, environmental and social charters, principles or other initiatives to which the organisation subscribes or endorses | Sustainability Report | 168 |
| 4.13 | Memberships in associations (such as industry associations) and/or national/ international advocacy organisations | Sustainability Report | 168 |
| 4.14 | List of stakeholder groups engaged by the organisation | Sustainability Report | 154 |
| 4.15 | Basis for identification and selection of stakeholders with whom to engage | Sustainability Report | 154 |

## G3.1 STANDARD DISCLOSURES INDEX

| No. | Description | Location/reference | Page no. |
|---|---|---|---|
| 4.16 | Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group | Sustainability Report | 154 |
| 4.17 | Key topics and concerns that have been raised through stakeholder engagement and how the organisation has responded to those key topics and concerns, including through its reporting | Sustainability Report | 157 |
| 5 | Management Approach and Performance Indicators | | |
| | Economic | | |
| 5.1 | Disclosure on management approach to economic aspects | Sustainability Report | 164 |
| EC1 | Direct Economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings and payments to capital providers and Governments | Sustainability Report | 209 |
| EC2 | Financial Implications and other risks and opportunities for the organisation's activities due to climate change | Insignificant | |
| EC3 | Coverage of the organisation's defined benefit plan obligations | Sustainability Report | 202 |
| EC4 | Significant financial assistance received from Government | The Bank does not receive significant financial assistance from the Government | |
| EC5 | Range of ratios of standards entry level wage compared to local minimum wage at significant locations of operation | Sustainability Report | 201 |
| EC6 | Policy, practices and promotions of spending on-locally-based suppliers at significant locations of operation | Supply procedure is governed by the procurement policy manual | |
| EC7 | Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation | Hiring was done locally | |
| EC8 | Development and impact of infrastructure investments and services provided primarily for public benefit-through commercial, in-kind, or pro bono engagement | Sustainability Report | 169-179 |
| EC9 | Understanding and describing significant indirect economic impact, including the extent of impacts | Sustainability Report | 211-214 |
| | Environmental | | |
| 5.2 | Disclosure on management approach to environmental aspects | Sustainability Report | 165 |
| | Materials | | |
| EN1 | Materials used by weight or volume | Sustainability Report | 211 |
| EN2 | Percentage of materials used that are recycled input materials | None | |
| | Energy | | |
| EN3 | Direct energy consumption by primary energy source | Not reported | |
| EN4 | Indirect energy consumption by primary source | Not reported | |
| EN5 | Energy saved due to conservation and efficiency improvements | Sustainability Report | 211 |
| EN6 | Initiatives to provide energy-efficient or renewable energy-based products and services and reductions in energy requirements as a result of these initiatives | Sustainability Report | 211 |
| EN7 | Initiatives to reduce indirect energy consumption and reductions achieved | Not reported | |
| | Water | | |
| EN8 | Total water withdrawal by source | Insignificant | |
| EN9 | Water sources significantly affected by withdrawal of water | Insignificant | |

## G3.1 STANDARD DISCLOSURES INDEX

| No. | Description | Location/reference | Page no. |
|---|---|---|---|
| EN10 | Percentage and total volume of water recycled and reused Biodiversity | None.Water is not recycled | |
| EN11 | Locations of size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected area | No operational units are located within the protected areas or high Biodiversity valued areas | |
| EN12 | Description of significant impacts of activities, products and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas | Bank activities, product or services do not affect the Biodiversity | |
| EN13 | Habitats protected or restored | None | |
| EN14 | Strategies, current actions and future plans for managing impacts on biodiversity | Sustainability Report | 211-214 |
| EN15 | Number of IUCN Red list species and national conservation list species with habitats in areas affected by operations, by level of extinction risk | Bank operations do not affect the Red list species | |
| | Emissions, Effluents and Waste | | |
| EN16 | Total direct and Indirect greenhouse gas emissions by weight | N/A | |
| EN17 | Other relevant indirect greenhouse gas emissions by weight | N/A | |
| EN18 | Initiatives to reduce greenhouse gas emissions and reduction achieved | N/A | |
| EN19 | Emissions of ozone-depleting substances by weight | N/A | |
| EN20 | Nox, SOx, and other significant air emissions by weight | N/A | |
| EN21 | Total water discharged by quality and destination | Not Reported | |
| EN22 | Total weight of waste by type and disposal method | Not Reported | |
| EN23 | Total number of volumes of significant spills | N/A | |
| EN24 | Weight of transported, imported, exported or treated waste deemed hazardous under the terms of Basel Convention Annex I, II, III and VIII and percentage of transported waste shipped internationally | None | |
| EN25 | Identify size, protected status and biodiversity value of water bodies and related habitats significantly affected by the reporting organisation's discharges of water and runoff | Not relevant to our operations | |
| | Products and Services | | |
| EN26 | Initiative to mitigate environmental impacts of products and services and extent of impact mitigation | None | |
| EN27 | Percentage of products sold and their packaging materials that are reclaimed by category | None | |

## G3.1 STANDARD DISCLOSURES INDEX

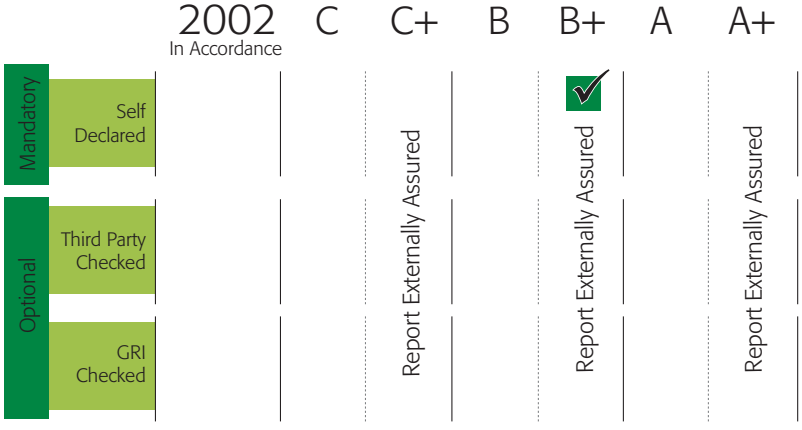
| No. | Description | Location/reference | Page no. |
|---|---|---|---|
| | Compliance | | |
| EN28 | Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations | None | |
| | Transport | | |
| EN29 | Significant environmental impacts of transporting products and other goods and materials used for the organisation's operations and transporting members of the workforce | Not Reported | |
| | Overall | | |
| EN30 | Total environmental protection expenditure and investments by type | Sustainability Report | 211 |
| | Social | | |
| 5.3 | Disclosure on management approach to social aspects | Sustainability Report | 165 |
| | Labour Practices and Decent Work | | |
| LA1 | Total workforce by employment type, employment contract and region breakdown by gender | Sustainability Report | 199 |
| LA2 | Total number and rate of new employee hires and employee turnover by age group, gender and region | Sustainability Report | 198 |
| LA3 | Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations | Sustainability Report | 201-207 |
| LA4 | Percentage of employees covered by collective bargaining agreements | Sustainability Report | 165 |
| LA5 | Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements | Not Reported | |
| LA6 | 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 | 206-207 |
| LA7 | Rates of injury, occupational diseases, lost days and absenteeism and of work-related fatalities by region | Not Reported | |
| LA8 | Education, training, counselling, prevention and risk-control programmes in place to assist workforce members, their families, or community members regarding serious diseases | Sustainability Report | 206-207 |
| LA9 | Health and safety topics covered in formal agreements with trade unions | None | |
| LA10 | Average hours of training per year per employee by employee category | Sustainability Report | 205 |
| LA11 | Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings | Sustainability Report | 203-204 |
| LA12 | Percentage of employees receiving regular performance and career development reviews | Sustainability Report | 201 |
| 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 | 167, 200 |
| LA14 | Ratio of basic salary of women to men by employee category, by significant location of operation | Male-female basic salary is same | |
| LA15 | Return to work and retention rates after parental leave, by gender | 100% return and retention rate | |

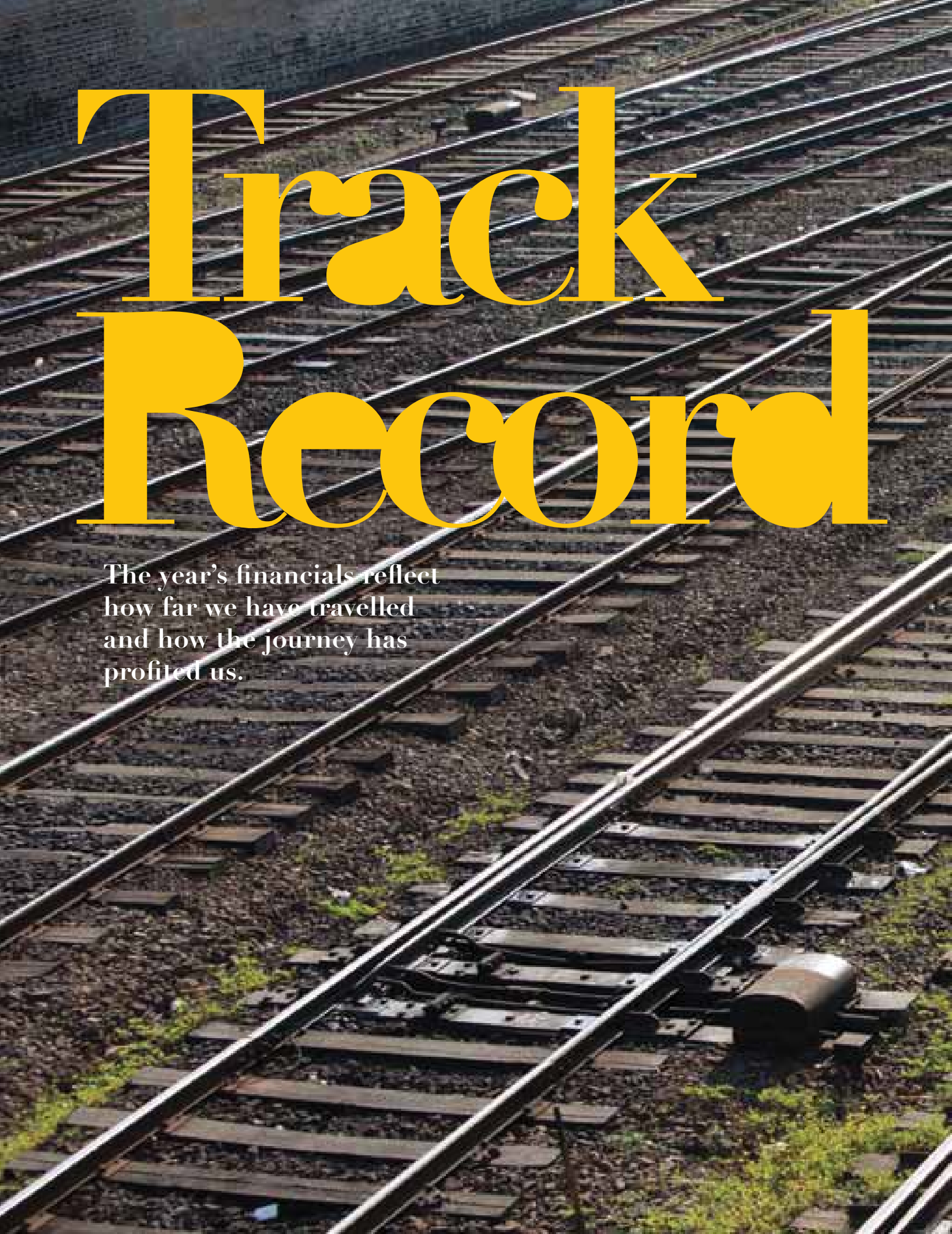
## G3.1 STANDARD DISCLOSURES INDEX

| No. | Description | Location/reference | Page no. |
|---|---|---|---|
| | Human Rights | | |
| HR1 | Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening | Not Reported | |
| HR2 | Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken | None | |
| HR3 | Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained | Not Reported | |
| HR4 | Total number of incidents of discrimination actions taken | Sustainability Report | 165, 197 |
| HR5 | Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk and actions taken to support these rights | Sustainability Report | 165 |
| HR6 | Operations identified as having significant risk or incidents of child labour and measures taken to contribute to the elimination of child labour | Sustainability Report | 165 |
| HR7 | Operations identified as having significant risk for incidents of forced or compulsory labour and measures taken to contribute to the elimination of forced or compulsory labour | Sustainability Report | 165 |
| HR8 | Percentage of security personnel trained in the organisation's policies or procedures concerning aspects of human rights that are relevant to operations | Not Reported | |
| HR9 | Total number of incidents of violations involving rights of indigenous people and actions taken | No incidents of violation of rights of indigenous people | |
| HR 10 | Percentage and total number of operations that have been subject to human rights reviews and/or impact assessment | None | |
| HR 11 | Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms | Sustainability Report | 207 |
| | Society | | |
| SO1 | Nature, scope and effectiveness of any programmes and practices that asses and manage the impacts of operations on communities, including entering, operating and exiting | Sustainability Report | 169-179 |
| SO2 | Percentage and total number of business units analysed for risks related to corruption | Not Reported | |
| SO3 | percentage of employees trained in organisation's anti-corruption policies and procedures | Sustainability Report | 168 |
| SO4 | Actions taken in response to incidents of corruption | Not Reported | |
| SO5 | Public policy positions and participation in public policy development and lobbying | Not Reported | |

## G3.1 STANDARD DISCLOSURES INDEX

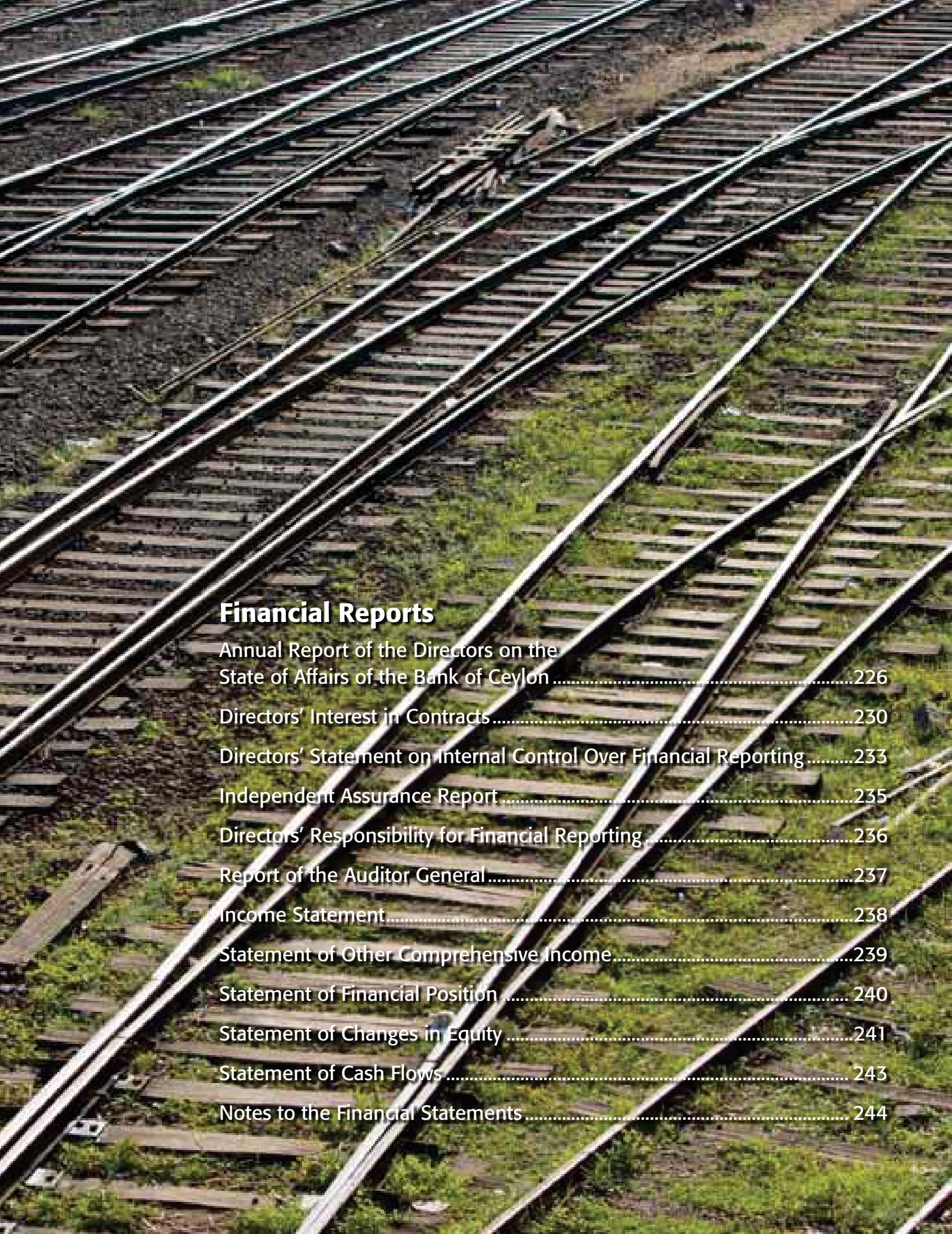
| No. | Description | Location/reference | Page no. |
|---|---|---|---|
| SO6 | Total value of financial and in-kind contributions to political parties, politicians and related institutions by country | None | |
| SO7 | Total number of legal actions taken for anti-competitive behaviour, anti-trust and monopoly practices and their outcomes | None | |
| SO8 | Monitory value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations | None | |
| SO9 | Operations with significant potential or actual negative impact on local communities | None | |
| SO10 | Prevention and mitigation measures implemented in operations with significant potentials or actual negative impacts on local communities | None | |
| | Product Responsibility | | |
| PR1 | Life cycle stages in which health and safety impacts of products and services are assessed for improvement and percentage of significant products and services categories subject to such procedures | Not Applicable | |
| PR2 | Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes | Not Applicable | |
| PR3 | Type of product and service information required by procedures and percentage of significant products and services subject to such information requirements | Not Applicable | |
| PR4 | Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcomes. | None | |
| PR5 | Practices related to customer satisfaction, including results of surveys measuring customer satisfaction | Sustainability Report | 155 |
| PR6 | Programmes for adherence to laws, standards and voluntary codes related to marketing communications, including advertising, promotion and sponsorship | Not Reported | |
| PR7 | Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion and sponsorship by type of outcomes | None | |
| PR8 | Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data | Sustainability Report | 168 |
| PR9 | Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services | Not Material | |





# Track Record

The year's financials reflect how far we have travelled and how the journey has profited us.



## Financial Reports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# Annual Report of the Directors on the State of Affairs of the Bank of Ceylon

**1. General**

The Board of Directors of the Bank of Ceylon has pleasure in presenting their report on the affairs of the Bank together with the Audited Consolidated Financial Statements for the year ended 31st December 2012, of the Bank and the Group and the Auditors' Report on those Financial Statements, conforming to the requirements of the Bank of Ceylon Ordinance No.53 of 1938 and Banking Act No.30 of 1988 and amendments thereto. The report also includes certain disclosures laid down by the Colombo Stock Exchange Listing Rules and certain disclosures required to be made under the Banking Act Direction No.11 of 2007 on Corporate Governance for Licensed Commercial Banks issued by the Central Bank of Sri Lanka and subsequent amendments thereto. The Directors approved the Financial Statements on 21st March 2013.

The Bank of Ceylon is a Licensed Commercial Bank under the Banking Act No. 30 of 1988 and was duly incorporated on 1st August 1939 under the Bank of Ceylon Ordinance No.53 of 1938. The Bank is wholly owned by the Government of Sri Lanka. The unsecured subordinated redeemable debentures issued by the Bank are listed on the Colombo Stock Exchange.

**2. Review of the Business**

**2.1 Principal activities of the Bank**

The principal activities of the Bank during the year were commercial banking, personal banking, development financing, mortgage financing, lease financing, investment banking, Islamic banking, bancassurance, corporate financing, dealing in Government securities, pawn broking, credit card facilities, off-shore banking, foreign currency operations and other financial services.

**2.2 Subsidiaries & Associates**

The principal activities of Subsidiaries and Associates are given under Significant Accounting Policies to the Financial Statements on page 244.

There were no significant changes in the nature of the principal activities of the Bank and the Group during the year under review, other than changes mentioned under Significant Accounting Policies.

**2.3 Changes to the Group structure**

The changes to the group structure during the year is given in Note 29 and 30 to Financial Statements on pages 280 and 282 of this Annual Report.

**2.4 Vision, Mission and Corporate Conduct**

The Bank's Vision and Mission are given on page 10 and 11 of this Annual Report. The Bank maintains high ethical standards in its activities whilst pursuing the objectives stated under 'Vision' and 'Mission'.

**2.5 Review of the year's performance**

The Chairman's Message on pages 18 and 19 deals with the year's performance of the Bank/Group and on the Sri Lankan economy.

The General Manager's Review on pages 26 and 27 provides a detailed description of the operations of the Bank during the year under review.

Management Discussion & Analysis on pages 54 to 93, 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.

**2.6 Branch expansion during the year**

The Bank extended its services through the addition of 28 new extension offices during the period under review. The number of branches were increased by 6. The network was further expanded enhancing customer convenience. The Bank installed 47 ATMs during the year across the island bringing out the total to 451. This number does not include peer bank's ATMs through which customers of Bank of Ceylon can transact.

**2.7 Corporate donations**

The Bank has granted no donations for the year 2012. But the Bank has incurred Rs.46.8 million on Corporate Sustainability & Responsibility activities.

**2.8 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, Banking Act No. 30 of 1988 and its amendments, Bank of Ceylon Ordinance No.53 of 1938 and its amendments and the Listing Rules of the Colombo Stock Exchange. In the case of Subsidiaries, the Financial Statements are prepared also in accordance with the provisions of the Companies Act No.7 of 2007.

The Statement of Directors' Responsibility for Financial Reporting is given on page 236 of this Annual Report and forms an integral part of this Report of the Directors.

**2.9 Auditor's Report**

The Auditor General is the Auditor of Bank of Ceylon in terms of the provisions of Article 154 of the Constitution of the Democratic Socialist Republic of Sri Lanka. Report of the Auditor General on the Financial Statements of the Bank and the Consolidated Financial Statements of the Bank and its Subsidiaries as at 31st December 2012 is given on page 237 of this Annual Report.

**2.10 Accounting Policies**

The Group and the Bank prepared their Financial Statements for the periods up to and including the year ended 31st December 2011 in accordance with Sri Lanka Accounting Standards which were in effect until that date. Following the convergence of Sri Lanka Accounting Standards with the International Financial Reporting Standards all existing/new Sri Lanka Accounting Standards were prefixed as SLFRS and LKAS to represent Sri Lanka Accounting Standards

corresponding to International Financial Reporting Standards and International Accounting Standards respectively. Accordingly the Group and the Bank adopted these new Sri Lanka Accounting Standards applicable for financial periods commencing from 1st January 2012 for the preparation of Financial Statements.

The accounting policies adopted in the preparation of Financial Statements are given on pages 244 to 256.

**3. Future Developments**

An overview of the future plans and development of the Bank is presented in the new Chairman's Message on page 22 and Management Discussion & Analysis on pages 77, 82 and 86 of this Annual Report.

**4. Total Income**

The main income of the Group is interest income, which comprises 85% of the total income. The income of the Group for the year 2012 was LKR 115,527 million as against LKR 74,857 million in comparison to the previous year. The Bank's total income accounted for 95% (2011 - 94%) of total income of the Group.

**5. Dividends and Reserves**

**5.1 Profit**

The Bank recorded a pre-tax profit of LKR19,794 million in 2012 reflecting an increase of 20%, compared to LKR 16,485 million recorded for the previous year. After deducting LKR 5,378 million (LKR 4,567 million in 2011) for income tax, the profit after tax for the year 2012 amounted to LKR 14,417 million, which is a 21% increase compared to LKR 11,918 million profit after tax reported in 2011.

Details of profit relating to the Bank and the Group are given in Table 1.

The pre-tax profit of the Group also increased from LKR 16,491 million to LKR 20,246 million, an increase of 23% in comparison to the previous year. After deducting LKR 5,638 million for income tax (LKR 4,824 million in 2011) the profit after tax of the Group increased to LKR 14,608 million in 2012 from the profit after tax of LKR 11,667 million reported in 2011.

**Table 1**

| | Bank | | Group | |
|---|---|---|---|---|
| | 2012 LKR '000 | 2011 LKR '000 | 2012 LKR '000 | 2011 LKR '000 |
| Profit for the year after payment of all expenses and providing for depreciation, possible loan losses and contingencies before VAT & tax | 23,008,589 | 19,000,470 | 23,482,400 | 18,879,587 |
| Value added tax on financial services | (3,214,291) | (2,515,755) | (3,274,717) | (2,596,957) |
| Share of profit of Associate companies before tax | - | - | 38,585 | 208,716 |
| Profit before income tax | 19,794,298 | 16,484,715 | 20,246,268 | 16,491,346 |
| Income tax expense | (5,377,677) | (4,567,110) | (5,638,274) | (4,824,536) |
| Profit for the year | 14,416,621 | 11,917,605 | 14,607,994 | 11,666,810 |
| **Appropriations** | | | | |
| Transfers to permanent reserve fund | 277,955 | 230,500 | 277,955 | 230,500 |
| Transfers to primary dealer special risk reserve | 85,147 | 38,557 | 85,147 | 38,557 |
| Transfers to investment fund account | 3,232,612 | 1,484,073 | 3,279,672 | 1,570,276 |
| Dividends | 5,346,410 | 3,846,410 | 5,346,410 | 3,846,410 |

**5.2 Dividends**

The Bank determines the dividends in consultation with the Government, the shareholder of the Bank, prudently based on profits after deduction of tax, loan loss provision and any such portion for reserves. Accordingly, a sum of LKR 5,346 million has been paid by the Bank as dividends for the year. (2011 - LKR 3,846 million)

**5.3 Reserves**

The total reserves of the Group stood at LKR 52,225 million as at 31st December 2012 (2011 - LKR 42,391 million). The Group reserves consist of the following -

| | 2012 LKR '000 | 2011 LKR '000 |
|---|---|---|
| Permanent reserve fund | 3,285,955 | 3,008,000 |
| Revaluation reserve | 8,367,737 | 7,716,172 |
| Primary dealer special risk reserve | 822,676 | 737,529 |
| Exchange translation reserve | 998,291 | 430,347 |
| Investment fund account | 4,849,948 | 1,570,276 |
| Available for sale reserve | 3,970,915 | 4,987,494 |
| Other reserve | 611,559 | 586,199 |
| Retained profits | 29,318,089 | 23,355,259 |
| Total | 52,225,170 | 42,391,276 |

**6. Property, Plant & Equipment**

The total capital expenditure incurred by the Group on the acquisition of property, plant & equipment during the year amounted to LKR 1,483 million (2011 – LKR 1,905 million) the details of which are given in Note 32 to Financial Statements on pages 286 of this Annual Report.

**7. Value of Freehold Properties**

The value of freehold properties owned by the Group as at 31st December 2012 is included in Note 32 to Financial Statements at LKR 9,626 million (2011 - LKR 9,009 million).

**8. Stated Capital and Shareholding**

**8.1 Stated capital**

The total issued and fully-paid up capital of the Bank as at 31st December 2012 was LKR 5,000 million consisting of 5,000,000 ordinary shares.

**8.2 Shareholding**

The Government of Sri Lanka is the sole shareholder of the Bank.

**9. Issue of Subordinated Debentures**

The Group had issued subordinated debentures (both listed and unlisted) amounting to LKR 6,000 million as at 31st December 2012 (2011 - LKR 5,000 million). The proceeds of these debentures were utilised to bridge the maturity gaps and to strengthen the supplementary capital base of the Bank. The details of debentures outstanding as at the date of Balance Sheet are given in Notes 41 and 45 to the Financial Statements on pages 297, 301 and 302.

**10. Share Information**

The earnings per share and net assets per share of the Group were LKR 2,916 and LKR 11,445 respectively, for the period under review.

**11. Corporate Sustainability and Responsibility**

The programmes carried out under the Corporate Sustainability and Responsibility (CS & R) are detailed on pages 152 to 223 under the Sustainability Report.

**12. Directors**

The Board of Directors of the Bank of Ceylon as at 31st December 2012 consisted of six members including the 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 pages 34 to 36 of this Annual Report.

**12.1 List of Directors**

The Directors of the Bank who held office during the year under review were as follows -

| Name of the Director | Executive /Non-Executive Status | Status of Independence |
|---|---|---|
| Dr. Gamini Wickramasinghe (Chairman) | Non-Executive | Independent |
| Mr. S R Attygalle | Non-Executive Ex officio | Non-Independent |
| Mr. Raju Sivaraman | Non-Executive | Independent |
| Ms. Nalini Abeywardene | Non-Executive | Non-Independent |
| Mr. Chandrasiri de Silva | Non-Executive | Non-Independent |
| Mr. K L Hewage | Non-Executive | Independent |
| Mr. V Kanagasabapathy (Alternate director to Mr. S R Attygalle) | Non-Executive | Non-Independent |

The Directors are classified as Independent Directors on the basis given in Banking Act Direction No.11 of 2007 on Corporate Governance for Licensed Commercial Banks issued by the Central Bank of Sri Lanka.

**12.2 Board sub committees**

The Board has formed four sub committees complying with the aforesaid Banking Act Direction No.11 of 2007 to ensure oversight control over affairs of the Bank. The sub committee composition is given on page 138 to 148 of this Annual Report.

**12.3 Directors' meetings**

Attendance of Directors at Board and sub committee meetings are given on page 149 of this Annual Report.

**12.4 Directors' interests in contracts**

Directors' interests in contracts with the Bank, both direct and indirect are given on pages 230 to 232 These interests have been declared at meetings of the Board of Directors. Except for the contracts given therein, the Directors have no any direct or indirect interest in other contracts or proposed contracts with the Bank.

**12.5 Directors' interests in debentures issued by the Bank/Group**

Dr. Gamini Wickramasinghe (Chairman) during the year under review has invested USD 349,000 in debentures issued by the Bank during the year 2008 and appears in the Debenture Register as at 31st December 2012. There were no debentures registered in the name of any other Director as at the beginning and at the end of the year.

**12.6 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 58 dated 29th April 2011, PF/PE/23 dated 19th July 2002, letter dated 24th March 2008 all issued

by the Department of Public Enterprises of the Ministry of Finance & Planning and Bank of Ceylon Ordinance No. 53 of 1938 and its amendments.

The Directors' remuneration in respect of the Group and the Bank for the financial year ended 31st December 2012 are given on page 259.

**13. Risk Management and System of Internal Controls**

**13.1 Risk management**

The Board of Directors assumes overall responsibility for managing risks. The specific measures taken by the Bank in mitigating the risks are detailed on pages 96 to 105 of this Annual Report.

**13.2 Internal control**

The Board of Directors has ensured the implementation of an effective and comprehensive system of internal controls in the Bank through the Audit Committee.

The Audit Committee helps the Board of Directors to discharge their fiduciary responsibilities. The Report of the Chairman of the Audit Committee is contained on pages 139 and 141 of this Annual Report. The Directors are satisfied with the effectiveness of the system of internal control during the year under review and up to the date of the Annual Report and the Financial Statements. The Board has issued a statement on the internal control mechanism of the Bank as per Direction No.3 (8)(ii)(b) of Banking Act Direction No.11 of 2007 on Corporate Governance for Licensed Commercial Banks. The above report is given on pages 233 and 234 of this Annual Report. The Board has confirmed that financial reporting system has been designed to provide reasonable assurance regarding the reliability of financial reporting and that the preparation of Financial Statements for external purposes has been done in accordance with relevant accounting principles and regulatory requirements.

The Board has obtained an Assurance Report from the Auditor General on Directors' Statement on Internal Control and it is given on page 235 of this Annual Report.

**14. Corporate Governance**

The Board of Directors is committed towards maintaining an effective Corporate Governance structure and process. The financial, operational and compliance functions of the Bank are directed and controlled effectively within Corporate Governance practices. These procedures and practices that are in conformity with Corporate Governance directions issued by the Central Bank of Sri Lanka under Banking Act Direction No. 11 of 2007 and the Code of Best Practice on Corporate Governance issued jointly by the Securities and Exchange Commission of Sri Lanka and The Institute of Chartered Accountants of Sri Lanka are described in the Corporate Governance Report appearing on pages 108 to 137 of this Annual Report.

The Board has obtained a report from the Auditor General on the compliance with the provisions of the above mentioned Direction No. 11 of 2007.

**15. Human Resources**

One of the most valuable assets of the Bank is its employees and it is important for the Bank to develop them. Several measures were taken to strengthen the much-valued human capital in order to optimise their contribution towards the achievement of corporate objectives. The Bank's Human Resource Management policies and practices are detailed in the Sustainability Report on pages 197 to 207 of this Report.

**16. Compliance with Laws and Regulations**

The Directors, to the best of their knowledge and belief confirm that the Group has not engaged in any activities contravening the laws and regulations. Details of the Bank's compliance with the laws and regulations are given on page 105 under Report on Risk and Compliance which forms an integral part of this Report.

**17. 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.

**18. Statutory Payments**

The Board confirms that all statutory payments due to the Government and in relation to employees have been made on time.

**19. Environmental Protection**

The Bank has not engaged in any activity, which has caused detriment to the environment. Further, precautions taken to protect the environment are given in Sustainability Report on pages 161, 162 and 165.

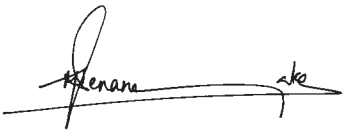
**20. Post Balance Sheet Events**

The Directors are of the view that no material events have arisen in the interval between the end of the financial year and the date of this Report, that would require adjustments or disclosures.

**21. Going Concern**

The Directors are confident that the resources of the Bank are adequate to continue its operations. Therefore, it has applied the going concern basis in preparing the Financial Statements.

By order of the Board



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

21st March 2013
Colombo

# Directors' Interest in Contracts

Related party disclosures as required by the Sri Lanka Accounting Standard - LKAS 24 on 'Related Party Disclosures' are detailed in Note 55 to the Financial Statements on pages 310 to 315. In addition, the transactions that have been carried out in the ordinary course of business in an arm's length basis with entities where the Chairman or a Director of the Bank is the Chairman or a Director of such entities, are detailed below:

| Company | Relationship | Nature of Transactions | Limit '000* | Balance/Amount outstanding as at 31.12.12 '000* | Balance/Amount outstanding as at 31.12.11 '000* | Security |
|---|---|---|---|---|---|---|
| **Dr. Gamini Wickramasinghe** | | | | | | |
| Bank of Ceylon (UK) Limited | Chairman | Current account | | USD 678 | USD 471 | |
| | | (Nostro account) | | **86,253 | **53,674 | |
| | | | | EURO 1,679 | EURO 445 | |
| | | | | **282,738 | **65,593 | |
| | | | | GBP 356 | GBP 467 | |
| | | | | **73,195 | **81,979 | |
| | | Placements | | USD 8,000 | USD 8,000 | |
| | | | | **1,018,040 | **911,240 | |
| | | | | - | EURO 7,500 | |
| | | | | | **1,105,875 | |
| | | | | GBP 37,500 | GBP 28,300 | |
| | | | | **7,714,039 | **4,965,821 | |
| | | Other payable | | 474,192 | 247,429 | |
| Ceybank Holiday Homes (Private) Limited | Chairman | Current account | | 3,023 | 2,498 | |
| | | Time deposit | | 9,735 | 82 | |
| | | Other payable | | 681 | 1,496 | |
| | | Other receivable | | 1,170 | 795 | |
| Koladeniya Hydropower (Private) Limited | Chairman | Current account | | 1,237 | 13,496 | |
| | | Letter of credit | | - | 5,822 | |
| Property Development PLC | Chairman | Current account | | 8,084 | 16,614 | |
| | | Time deposit | | 1,216,734 | 936,058 | |
| | | Repo balance | | 99,888 | 180,732 | |
| | | Rent paid in advance | | 235,179 | 235,179 | |
| | | Deposit for fuel | | 907 | 907 | |
| | | Letter of credit | 5,000 | - | 2,103 | |
| | | Letter of guarantee | | 3,630 | 3,300 | |
| Mireka Capital Land (Private) Limited | Director | Current account | | 31,090 | 2,562 | |
| | | Current account | | USD 44 | USD 2 | |
| | | | | **5,601 | **229 | |
| | | Time deposit | | 51,639 | - | |
| | | Term loan | | - | USD 22,809 | |
| | | | | | **2,598,104 | |
| | | Letter of credit | | USD 356 | - | Fixed Deposits |
| | | | | **45,290 | | |
| | | Letter of guarantee | | - | 1,256 | |
| BOC Management & Support Services (Private) Limited | Chairman | Current account | | 2,736 | - | |
| | | Time deposit | | 1,307 | - | |
| | | Other payable | | 323 | - | |
| The Lanka Hospitals Corporation PLC | Director | Savings account | | USD 82 | USD 65 | |
| | | | | **10,438 | **7,376 | |
| | | Current account | | 57,693 | 43,927 | |
| | | Time deposit | | 451,878 | 60,350 | |
| | | Time deposit | | USD 1,355 | USD 305 | |
| | | | | **172,477 | **34,768 | |
| | | Repo balance | | 75,017 | 100,019 | |

* Currencies not specifically mentioned are in LKR
** LKR equivalent amount

| Company | Relationship | Nature of Transactions | Limit '000* | Balance/Amount outstanding as at 31.12.12 '000* | Balance/Amount outstanding as at 31.12.11 '000* | Security |
|---|---|---|---|---|---|---|
| Informatics Group of Companies*** | Chairman | Savings account | | 9 | 9 | |
| | | Savings account | | USD 88 | USD 11 | |
| | | | | **11,223 | **1,290 | |
| | | | | GBP 1 | GBP 1 | |
| | | | | **219 | **184 | |
| | | Current account | | 14,790 | 2,619 | |
| | | Time deposit | | USD 742 | USD 545 | |
| | | | | **94,423 | **62,130 | |
| | | | | GBP 103 | GBP 98 | |
| | | | | **21,170 | **17,279 | |
| | | Overdraft | 98,140 | 98,677 | 54,938 | NRFC deposit |
| | | Letter of guarantee | 15,085 | 8,870 | 7,883 | Immovable Property |
| **Mr. S R Attygalle** | | | | | | |
| Sri Lanka Ports Authority | Director | Savings account | | USD 45 | USD 1,823 | |
| | | | | **5,682 | **207,700 | |
| | | Current account | | 579,576 | 897,985 | |
| | | Time deposit | | 718,122 | 230,462 | |
| | | Time deposit | | USD 39,273 | USD 46,346 | |
| | | | | ** 4,997,665 | ** 5,279,004 | |
| | | Term loan | USD 62,512 | USD 42,209 | USD 54,721 | Negative pledge over the |
| | | | **7,954,998 | **5,371,311 | **6,232,974 | assets imported |
| | | Repo balance | | 450,630 | 24,500 | |
| | | Letter of credit | 756,251 | 786,602 | 818,847 | BOE, shipping documents, underlying goods under Bank's constructive control |
| Insurance Board of Sri Lanka | Director | Current account | | 2,269 | - | |
| | | Time deposit | | 534,699 | - | |
| **Mr. Raju Sivaraman** | | | | | | |
| Ceylease Limited | Chairman | Savings account | | USD 3 | - | |
| | | | | **336 | - | |
| | | | | EURO 3 | - | |
| | | | | **583 | | |
| | | | | AUD 0.4 | | |
| | | | | **54 | | |
| | | Current account | | 3,188 | 11,487 | |
| | | Overdraft | 50,000 | 45,455 | - | Clean |
| | | Series of loan | 550,000 | 394,350 | - | Lease receivable/Hire purchase receivable backed by Power of Attorney |
| | | Money market loan | 350,000 | 351,850 | 340,881 | Clean |
| | | Letter of guarantee | 2,500 | 2,500 | 2,500 | Clean |
| | | Repo balance | | 42,009 | 10,002 | |
| | | Other payable | | 6,331 | 6,029 | |
| MCSL Financial Services Limited | Director | Savings account | | 16,968 | - | |
| | | Current account | | 30,891 | 37,519 | |
| | | Time deposit | | 16 | 16 | |
| | | Series of loan | 250,000 | 65,290 | - | Lease receivables backed by Power of Attorney |
| | | Overdraft | 50,000 | 494 | 8 | |
| | | Money market loan | 50,000 | 50,522 | 50,136 | |
| | | Bridging finance | 100,000 | - | - | |
| | | Letter of credit | 10,000 | - | - | |
| | | Letter of guarantee | 4,000 | - | - | |
| **Ms. Nalini Abeywardene** | | | | | | |
| Hotels Colombo (1963) Limited | Director | Current account | | 35,303 | 16,880 | |
| | | Time deposit | | 102,075 | 93,254 | |
| | | Other receivable | | 31,548 | 23,601 | |

* Currencies not specifically mentioned are in LKR

** LKR equivalent amount

*** 1) Visual Computing Systems (Private) Limited (A company belonging to Informatics Group) has been appointed to provide maintenance support on Tandem server and the said company has transferred their ownership rights to its principal, Informatics (Private ) Limited.

2) Bank has called for quotations from Informatics (Private) Limited together with Infrasoft Technologies Limited, 3i Infotech Limited and DMS Software Engineering (Private) Limited to obtain an Anti Money Laundering (AML) software solution on Standalone Model basis.

3) Two Drive through ATMs have been purchased from Informatics (Private) Limited.

| Company | Relationship | Nature of Transactions | Limit '000* | Balance/Amount outstanding as at 31.12.12 '000* | Balance/Amount outstanding as at 31.12.11 '000* | Security |
|---|---|---|---|---|---|---|
| BOC Travels (Private) Limited | Director | Savings account | | 5,000 | - | |
| | | Current account | | 36,760 | 35,410 | |
| | | Time deposit | | 83,131 | 50,207 | |
| | | Debenture | | 15,436 | 10,374 | |
| | | Overdraft | 7,600 | - | - | Book debts |
| | | Letter of guarantee | 56,000 | 56,050 | 50,000 | Time deposits & debentures |
| | | Other receivable | | 12 | 1,240 | |
| | | Other payable | | 428 | 619 | |
| **Mr. Chandrasiri De Silva** | | | | | | |
| Hotels Colombo (1963) Limited | Director | Current account | | 35,303 | 16,880 | |
| | | Time deposit | | 102,075 | 93,254 | |
| | | Other receivable | | 31,548 | 23,601 | |
| BOC Travels (Private) Limited | Chairman | Savings account | | 5,000 | - | |
| | | Current account | | 36,760 | 35,410 | |
| | | Time deposit | | 83,131 | 50,207 | |
| | | Debenture | | 15,436 | 10,374 | |
| | | Overdraft | 7,600 | - | - | Book debts |
| | | Letter of guarantee | 56,000 | 56,050 | 50,000 | Time deposits & debentures |
| | | Other receivable | | 12 | 1,240 | |
| | | Other payable | | 428 | 619 | |
| **Mr. K L Hewage** | | | | | | |
| Ceybank Asset Management Limited | Chairman | Current account | | 961 | 1,799 | |
| | | Time deposit | | 38,841 | - | |
| | | Repo balance | | 10,502 | 17,400 | |
| | | Investment in Units*** | | 1,726,479 | 1,513,004 | |
| **Mr. V Kanagasabapathy** | | | | | | |
| Merchant Bank of Sri Lanka PLC | Director | Current account | | 50,804 | 58,765 | |
| | | Debenture | | 1,102 | 1,102 | |
| | | Overdraft | 110,000 | 71,557 | 46,384 | Lease receivables backed by Power of Attorney |
| | | Overdraft | | 92,224 | - | |
| | | Series of loan | 900,000 | 679,050 | 597,473 | |
| | | Money market loan | 100,000 | - | 40,024 | |
| | | Grant on immediate Credit on cheque limit | 1,000 | - | - | |
| | | Intra day overdraft | 5,000 | - | - | |
| | | Investment in debts | | 140,437 | 140,437 | |
| | | Other payable | | 5,742 | 10,625 | |
| Hotel Developers Lanka PLC | Director | Savings account | | USD 3 **403 | USD 3 **359 | |
| | | Savings account | | JPY 4 ** 6 | JPY 5 ** 7 | |
| | | Current account | | 104,070 | 11,250 | |
| | | Term loan (Granted under SRCC & T) | 350,000 | 8,761 | 43,806 | Loan agreement |
| | | Repo balance | | 982,260 | 150,264 | |
| Distance Learning Centre Limited | Chairman | Time deposit | | 10,797 | 8,876 | |
| | | Overdraft | 2,000 | 17 | 385 | Time deposit |
| Lanka Hydraulic Institute Limited | Director | Current account | | 18 | 18 | |

* Currencies not specifically mentioned are in LKR
** LKR equivalent amount
*** Ceybank Asset Management Limited is the managing company of the above unit trusts.

# Directors' Statement on Internal Control Over Financial Reporting

**RESPONSIBILITY**

In line with the Banking Act Direction No. 11 of 2007, section 3 (8) (ii) (b), the Board of Directors present this report on Internal Control over Financial Reporting.

The Board of Directors ("Board") is responsible for the adequacy and effectiveness of the internal control mechanism in place at Bank of Ceylon ("the Bank"). In considering such adequacy and effectiveness, the Board recognises that the business of banking requires reward to be balanced with risk on a managed basis and as such the internal control systems are primarily designed with a view to highlighting any deviations from the limits and indicators which comprise the risk appetite of the Bank. In this light, the system of internal controls can only provide reasonable, but not absolute assurance, against material misstatement of financial information and records or against financial losses or fraud.

The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Bank and this process includes enhancing and strengthening the system of internal control over financial reporting as and when there are changes to business environment or regulatory guidelines. The process is regularly reviewed by the Board and accords with the Guidance for Directors of Banks on the Directors' Statement on Internal Control issued by the Institute of Chartered Accountants of Sri Lanka. The Board has assessed the internal control over financial reporting taking into account principles for the assessment of internal control system as given in that guidance.

The Board is of the view that the system of internal controls over financial reporting in place is sound and adequate to provide reasonable assurance regarding the reliability of financial reporting, and that the preparation of financial statements for external purposes is in accordance with relevant accounting principles and regulatory requirements.

The management assists the Board in the implementation of the Board's policies and procedures on risk and control by identifying and assessing the risks faced, and in the design, operation and monitoring of suitable internal controls to mitigate and control these risks.

**KEY FEATURES AND THE PROCESS ADOPTED IN APPLYING IN REVIEWING THE DESIGN AND EFFECTIVENESS OF THE INTERNAL CONTROL SYSTEM OVER FINANCIAL REPORTING**

The key processes that have been established in reviewing the adequacy and integrity of the system of internal controls with respect to financial reporting include the following:

- Various Committees are established by the Board to assist the Board in ensuring the effectiveness of Bank's daily operations and that the Bank's operations are in accordance with the corporate objectives, strategies and the annual budget that have been derived from its approved Corporate Plan. The activities of the Bank are being governed by policy documents that have been approved.

- The Internal Audit Division of the Bank check for compliance with policies and procedures and the effectiveness of the internal control systems on an ongoing basis using samples and rotational procedures and highlight significant findings in respect of any non-compliance. Audits are carried out on all units and branches, the frequency of which is determined by the level of risk assessed, to provide an independent and objective report. The annual audit plan is reviewed and approved by the Board Audit Review Committee. Findings of the Internal audit Department are submitted to the Board Audit Review Committee for review at their periodic meetings.

- The Board Audit Committee of the Bank reviews internal control issues identified by the Internal Audit Division, regulatory authorities and management, and evaluate the adequacy and effectiveness of the risk management and internal control systems. They also review the internal audit functions with particular emphasis on the scope of audits and quality of internal audits. The minutes of the Audit Committee meetings are forwarded to the Board of the Bank on a periodic basis. Further details of the activities undertaken by the Audit Committee of the Bank are set out in the Audit Committee Report on pages 139 to 141.

- In assessing the internal control system over financial reporting, identified officers of the Bank collated all procedures and controls that are connected with significant accounts and disclosures of the financial statements of the Bank. These in turn were observed and checked by the Internal Audit Division for suitability of design and effectiveness on an ongoing basis. As the current year was the first year of adoption of new Sri Lanka Accounting Standards comprising LKAS and SLFRS, processes that are required to comply with new requirements of recognition, measurement, classification and disclosure are being introduced, and as at balance sheet date those requirements were partly completed. The assessment did not include the processes carried out by the subsidiaries of the Bank.

**CONFIRMATION**

Based on the above processes, the Board confirms that the financial reporting system of the Bank has been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes and has been done in accordance with Sri Lanka Accounting Standards and regulatory requirements of the Central Bank of Sri Lanka.

**REVIEW OF THE STATEMENT BY THE AUDITOR GENERAL**

The Auditor General, the external auditor of the Bank has reviewed the above Directors' Statement on Internal Control included in the Annual Report of the Bank for the year 31 December 2012 and reported to the Board that nothing has come to his attention that causes him to believe that this Statement is inconsistent with his understanding of the process adopted by the Board in the review of the design and control effectiveness of the internal control system over financial reporting of the Bank. The Independent Assurance Report of the Auditor General on the Statement of Internal Control is given on page 235 of this Annual Report.

By order of the Board,

**Razik Zarook**
*Chairman*

**Raju Sivaraman**
*Director*

**R M A Ratnayake**
*Chairman – Audit Committee*

21st March 2013
Colombo

# Independent Assurance Report

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கணக்காய்வாளர் தலைமை அதிபதி திணைக்களம்
**AUDITOR GENERAL'S DEPARTMENT**

මගේ අංකය / எனது இல. / My No: FB/F/BOC/IC/2012

ඔබේ අංකය / உமது இல / Your No.:

දිනය / திகதி / Date: 01 April 2013

**Assurance Report of the Auditor General to the Board of Directors on the Directors' Statement on Internal Control of Bank of Ceylon**

**Introduction**
This report is to provide assurance on the Directors' Statement on Internal Control ("Statement") of Bank of Ceylon included in the annual report for the year ended 31 December 2012. In carrying out this assurance engagement I was assisted by a firm of Chartered Accountants in public practice.

**Management's responsibility**
Management is responsible for the preparation and presentation of the Statement in accordance with the "Guidance for Directors of Banks on the Directors' Statement on Internal Control" issued in compliance with the section 3(8)(ii)(b) of the Banking Act Direction No. 11 of 2007, by the Institute of Chartered Accountants of Sri Lanka.

**My responsibility and compliance with SLSAE 3050**
My responsibility is to issue a report to the Board of Directors on the Statement based on the work performed. I conducted my engagement in accordance with Sri Lanka Standard on Assurance Engagements SLSAE 3050 – Assurance Report for Banks on Directors' Statement on Internal Control issued by the Institute of Chartered Accountants of Sri Lanka.

**Summary of work performed**
This engagement has been conducted to assess whether the Statement is both supported by the documentation prepared by or for Directors and appropriately reflects the process the Directors have adopted in reviewing the system of internal control for the Bank.

The procedures performed are limited primarily to inquiries of bank personnel and the existence of documentation on a sample basis that supports the process adopted by the Board of Directors.

SLSAE 3050 does not require me to consider whether the Statement covers all risks and controls, or to form an opinion on the effectiveness of the Bank's risk and control procedures. SLSAE 3050 also does not require me to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

**Conclusion**
Based on the procedures performed, nothing has come to my attention that causes me to believe that the Statement included in the annual report is inconsistent with my understanding of the process the Board of Directors has adopted in the review of the design and effectiveness of internal control of the Bank.

**H A S Samaraweera**
*Auditor General*


අංක 306/72 පොල්දුව පාර, බත්තරමුල්ල , ශ්‍රී ලංකාව
இல. 306/72, பொல்துவ வீதி, பத்தரமுல்லை இலங்கை
No.306/72, Polduwa Road, Battaramulla , Sri Lanka

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ඉලෙක්ට්‍රොනික් තැපැල් / ஈ- மெயில் / E-mail.: oaggov@sltnet.lk

# Directors' Responsibility for Financial Reporting

This Statement by the Board of Directors is made especially to distinguish the respective responsibilities of the Directors and Auditors in relation to financial reporting. The responsibility of Directors in relation to financial reporting of the Bank of Ceylon and the Group is set out in the following statement.

**Financial Statements**
In terms of the provisions of Bank of Ceylon Ordinance No. 53 of 1938 and its amendments read with the Banking Act No. 30 of 1988 and its amendments and Directions, the Directors of the Bank are responsible for ensuring that the Bank maintains proper books of accounts which disclose with reasonable accuracy at any time the financial position of the Bank and prepares proper Financial Statements for each financial year giving a true and fair view of the state of affairs of the Bank.

The Directors acknowledge that in preparing the Financial Statements for the year 2012 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 2012 presented in this Annual Report are in conformity with the requirements of the Bank of Ceylon Ordinance No. 53 of 1938 and its amendments, Banking Act No. 30 of 1988 and its amendments and Directions issued under it, the Sri Lanka Accounting Standards and other regulatory requirements. These financial statements reflect a true and fair view of the state of affairs of the Bank of Ceylon and the Group as at 31st December 2012.

**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**
The Directors are also responsible for the system of internal financial controls and risk management and place considerable importance on maintaining a strong control environment to protect and safeguard the Bank's assets and prevent fraud and mismanagement. Whilst inherent and residual risks cannot be completely eliminated, the Bank endeavours to minimise them by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and practiced within predetermined procedures and constraints.

A report by the Directors on the Bank's internal control mechanism confirming that the financial reporting system has been designed to provide reasonable assurance regarding the reliability of financial reporting is given on page 233 of this Annual Report.

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 Independent Integrated Risk Management Division and reported to the Board.

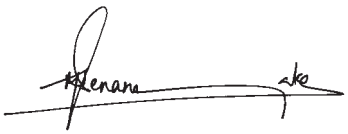
The Audit Committee and Integrated Risk Management Committee, on an ongoing basis, have acted in strengthening the effectiveness of internal controls and risk management procedures. The reports of the Audit Committee and Integrated Risk Management Committee are included on pages 139 and 146 respectively 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 237 of this Annual Report. The Auditor General's certification on the effectiveness of the Bank's internal control mechanism is given on page 235 of this Annual Report.

**Compliance**
The Directors to the best of their knowledge and belief, are satisfied that all statutory payments in relation to all relevant regulatory and statutory authorities which were due and payable by the Bank and its Subsidiaries as at the Statement of Financial Position date have been paid or where relevant provided for.

The Directors are of the view that they have discharged their responsibilities as set out in this statement.

By order of the Board,



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

21st March 2013
Colombo

# Report of the Auditor General

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கணக்காய்வாளர் தலைமை அதிபதி திணைக்களம்
**AUDITOR GENERAL'S DEPARTMENT**

මගේ අංකය / எனது இல. / My No: FB/F/BOC/FA/2012

ඔබේ අංකය / உமது இல / Your No.:

දිනය / திகதி / Date: 28 March 2013

The Chairman
Bank of Ceylon

**Report of the Auditor General on the Financial Statements of the Bank of Ceylon and its subsidiaries for the year ended 31 December 2012**

The audit of the financial statements of the Bank of Ceylon (Bank) and the consolidated financial statements of the Bank and its subsidiaries (Group) for the year ended 31 December 2012 comprising the Statements of Financial Position as at 31 December 2012, the Statements of Income, Statements of Comprehensive Income, Statements of changes in Equity and Cash Flow Statements for the year then ended, and a summary of significant accounting policies and other explanatory information, was carried out under my direction in pursuance of provisions in Article 154(I) of the Constitution of the Democratic Socialist Republic of Sri Lanka. To carry out this audit I was assisted by a firm of Chartered Accountants in public practice. The financial statements of the subsidiaries were audited by firms of Chartered Accountants in public practice appointed by the members of the respective subsidiaries.

**Management's Responsibility 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 control 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 the audit. I conducted my audit in accordance with Sri Lanka Auditing Standards. Those standards require that I plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatements.

An Audit includes examining, on a test basis of evidence supporting the amounts and disclosures in the financial statements. An Audit also includes assessing the accounting policies used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. I have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose for my audit. I therefore believe that my audit provides a reasonable basis for my opinion.

**Opinion**
In my opinion, so far as appears from my examination, the Bank maintained proper accounting records for the year ended 31 December 2012 and the financial statements give a true and fair view of the financial position of the Bank as at 31 December 2012 and its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

In my opinion, the consolidated financial statements give a true and fair view of the financial position as at 31 December 2012 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards of the Bank and its subsidiaries dealt with thereby, so far as concerns the shareholders of the Bank.

**Exemption**
The Bank has been exempted from the provisions of Part II of the Finance Act, No. 38 of 1971 by an Order of then Minister of Finance published in the Government Gazette No. 715 of 14 May 1992 by virtue of powers vested in him by Sections 5 (1) of the said Finance Act.

**Report to Parliament**
My report to Parliament in pursuance of provisions in Article 154 (6) of the constitution will be tabled in due course.

**H A S Samaraweera**
*Auditor General*


අංක 306/72 පොල්දුව පාර, බත්තරමුල්ල , ශ්‍රී ලංකාව
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# Income Statement

| For the year ended 31st December | Note No. | Bank 2012 LKR '000 | Bank 2011 LKR '000 | Bank Change % | Group 2012 LKR '000 | Group 2011 LKR '000 | Group Change % |
|---|---|---|---|---|---|---|---|
| **Total income** | 7 | 110,137,919 | 70,456,979 | 56.3 | 115,527,161 | 74,856,653 | 54.3 |
| Interest income | 8.1 | 95,021,794 | 61,222,410 | 55.2 | 98,751,348 | 64,208,696 | 53.8 |
| Interest expense | 8.2 | (59,700,875) | (36,215,901) | 64.8 | (61,489,053) | (37,384,647) | 64.5 |
| **Net interest income** | 8 | 35,320,919 | 25,006,509 | 41.2 | 37,262,295 | 26,824,049 | 38.9 |
| Fee and commission income | 9 | 7,320,001 | 6,676,092 | 9.6 | 7,531,297 | 6,939,856 | 8.5 |
| Fee and commission expense | 9 | (654,195) | (542,911) | 20.5 | (761,209) | (609,243) | 24.9 |
| **Net fee and commission income** | 9 | 6,665,806 | 6,133,181 | 8.7 | 6,770,088 | 6,330,613 | 6.9 |
| Net gain / (loss) from trading | 10 | 3,773,334 | 319,477 | 1,081.1 | 3,753,375 | 269,010 | 1,295.3 |
| Net gain / (loss) from financial investments | 11 | 366,407 | 347,748 | 5.4 | 368,206 | 353,480 | 4.2 |
| Net gain / (loss) from financial instruments designated at fair value through profit or loss | | - | - | - | - | - | |
| Other operating income | 12 | 3,656,383 | 1,891,252 | 93.3 | 5,122,935 | 3,085,611 | 66.0 |
| **Total operating income** | | 49,782,849 | 33,698,167 | 47.7 | 53,276,899 | 36,862,763 | 44.5 |
| Impairment (charge) / reversal for loans and other losses | 13 | (5,904,282) | 2,257,722 | (361.5) | (6,005,882) | 1,309,744 | (558.6) |
| **Net operating income** | | 43,878,567 | 35,955,889 | 22.0 | 47,271,017 | 38,172,507 | 23.8 |
| Personnel expenses | 14 | (12,926,831) | (10,460,089) | 23.6 | (14,061,777) | (11,462,039) | 22.7 |
| Other expenses | 15 | (7,943,147) | (6,495,330) | 22.3 | (9,726,840) | (7,830,881) | 24.2 |
| **Total operating expenses** | | (20,869,978) | (16,955,419) | 23.1 | (23,788,617) | (19,292,920) | 23.3 |
| **Operating profit before value added tax (VAT)** | | 23,008,589 | 19,000,470 | 21.1 | 23,482,400 | 18,879,587 | 24.4 |
| Value added tax (VAT) on financial services | | (3,214,291) | (2,515,755) | 27.8 | (3,274,717) | (2,596,957) | 26.1 |
| Operating profit after value added tax (VAT) | | 19,794,298 | 16,484,715 | 20.1 | 20,207,683 | 16,282,630 | 24.1 |
| Share of profit / (loss) of Associate Companies before tax | 16 | - | - | - | 38,585 | 208,716 | (81.5) |
| **Profit before income tax** | | 19,794,298 | 16,484,715 | 20.1 | 20,246,268 | 16,491,346 | 22.8 |
| Income tax expense | 17 | (5,377,677) | (4,567,110) | 17.7 | (5,638,274) | (4,824,536) | 16.9 |
| **Profit for the year** | | 14,416,621 | 11,917,605 | 21.0 | 14,607,994 | 11,666,810 | 25.2 |
| **Profit attributable to :** | | | | | | | |
| Equity holder of the parent | | 14,416,621 | 11,917,605 | 21.0 | 14,580,264 | 11,592,078 | 25.8 |
| Non controlling interest | | - | - | - | 27,730 | 74,732 | (62.9) |
| **Profit for the year** | | 14,416,621 | 11,917,605 | 21.0 | 14,607,994 | 11,666,810 | 25.2 |
| **Earnings per share:** | | | | | | | |
| Basic earnings per share (LKR) | 18.1 | 2,883.32 | 2,383.52 | 21.0 | 2,916.05 | 2,318.42 | 25.8 |
| Diluted earnings per share (LKR) | 18.2 | 2,883.32 | 2,383.52 | 21.0 | 2,916.05 | 2,318.42 | 25.8 |
| Dividend per share (LKR) | 18.3 | 1,069.28 | 769.28 | 39.0 | 1,069.28 | 769.28 | 39.0 |

The notes from pages 244 to 338 form an integral part of these Financial Statements.

# Statement of Other Comprehensive Income

| For the year ended 31st December | Note No. | Bank 2012 LKR '000 | Bank 2011 LKR '000 | Bank Change % | Group 2012 LKR '000 | Group 2011 LKR '000 | Group Change % |
|---|---|---|---|---|---|---|---|
| **Profit for the year** | | 14,416,621 | 11,917,605 | 21.0 | 14,607,994 | 11,666,810 | 25.2 |
| Exchange differences on translation of foreign operations | 48.7 | 253,847 | (130,541) | 294.5 | 567,944 | (135,398) | 519.5 |
| Actuarial gains / (losses) on retirement benefit plans | | 431,641 | 851,384 | (49.3) | 421,634 | 820,521 | (48.6) |
| Revaluation gains / (losses) on property, plant and equipment | | 696,307 | 4,710,770 | (85.2) | 738,219 | 5,658,237 | (87.0) |
| Deferred tax effect on revaluation gain | 48.4 | (86,654) | (223,408) | (61.2) | (86,654) | (488,699) | (82.3) |
| | | 1,295,141 | 5,208,205 | (75.1) | 1,641,143 | 5,854,661 | (72.0) |
| Gains / (losses) on remeasuring available for sale financial assets | | (766,275) | (1,832,161) | (58.2) | (1,038,486) | (1,424,698) | (27.1) |
| **Total other comprehensive income** | | 528,866 | 3,376,044 | (84.3) | 602,657 | 4,429,963 | (86.4) |
| Income tax expense relating to components of other comprehensive income | | - | - | - | - | - | - |
| **Total other comprehensive income for the year, net of tax** | | 528,866 | 3,376,044 | (84.3) | 602,657 | 4,429,963 | (86.4) |
| **Total comprehensive income for the year, net of tax** | | 14,945,487 | 15,293,649 | (2.3) | 15,210,651 | 16,096,773 | (5.5) |
| Attributable to: | | | | | | | |
| Equity holder of the parent | | 14,945,487 | 15,293,649 | (2.3) | 15,204,828 | 15,957,656 | (4.7) |
| Non controlling interest | | - | - | - | 5,823 | 139,117 | (95.8) |
| | | 14,945,487 | 15,293,649 | (2.3) | 15,210,651 | 16,096,773 | (5.5) |

The notes from pages 244 to 338 form an integral part of these Financial Statements.

# Statement of Financial Position

| As at | Note No. | Bank 31.12.2012 LKR '000 | Bank 31.12.2011 LKR '000 | Bank Change % | Bank 01.01.2011 LKR '000 | Group 31.12.2012 LKR '000 | Group 31.12.2011 LKR '000 | Group Change % | Group 01.01.2011 LKR '000 |
|---|---|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | | | |
| Cash and short term funds | 20 | 31,544,558 | 18,670,911 | 69.0 | 14,103,803 | 31,955,777 | 18,780,907 | 70.2 | 13,786,344 |
| Balances with Central Banks | 21 | 29,963,240 | 30,222,650 | (0.9) | 25,641,964 | 29,963,240 | 30,222,650 | (0.9) | 25,641,964 |
| Placements with banks | 22 | 19,394,466 | 14,580,998 | 33.0 | 42,708,657 | 25,577,197 | 18,885,470 | 35.4 | 47,810,453 |
| Derivative financial instruments | 23 | 507,451 | 63,211 | 702.8 | 239,780 | 507,451 | 63,211 | 702.8 | 239,780 |
| Reverse repurchase agreements | | 797,425 | 1,094,934 | (27.2) | 40,853,170 | 1,423,796 | 1,630,165 | (12.7) | 40,863,129 |
| Financial assets - Held for trading | 24 | 15,541,185 | 40,296,813 | (61.4) | 47,192,646 | 16,028,758 | 40,752,353 | (60.7) | 47,852,471 |
| Financial investments - Loans and receivable | 25 | 99,206,859 | 89,739,284 | 10.6 | 88,448,678 | 99,182,351 | 89,636,684 | 10.6 | 88,448,678 |
| Loans and advances to customers | 26 | 691,899,207 | 543,148,965 | 27.4 | 368,301,921 | 709,933,498 | 558,254,483 | 27.2 | 379,477,713 |
| Financial investments - Available for sale | 27 | 12,080,988 | 12,864,301 | (6.1) | 12,828,058 | 14,361,925 | 15,903,141 | (9.7) | 14,786,474 |
| Financial investments - Held to maturity | 28 | 110,956,202 | 51,386,437 | 115.9 | 51,641,782 | 111,706,459 | 51,842,461 | 115.5 | 52,603,444 |
| Investments in Subsidiary Companies | 29 | 6,792,848 | 6,240,686 | 8.8 | 5,279,094 | - | - | - | - |
| Investments in Associate Companies | 30 | 842,988 | 842,988 | - | 844,658 | 1,268,995 | 1,282,678 | (1.1) | 1,172,760 |
| Investment properties | 31 | - | - | - | - | 147,047 | 165,875 | (11.4) | 386,867 |
| Property, plant and equipment | 32 | 11,430,827 | 10,518,926 | 8.7 | 5,544,589 | 18,437,863 | 17,480,943 | 5.5 | 11,369,145 |
| Leasehold properties | 33 | 84,976 | 76,270 | 11.4 | 77,515 | 124,724 | 117,376 | 6.3 | 119,978 |
| Intangible assets | 34 | 376,002 | 342,839 | 9.7 | 163,826 | 461,955 | 413,229 | 11.8 | 170,037 |
| Deferred tax assets | 35 | - | - | - | 842,543 | 73,042 | 76,300 | (4.3) | 842,543 |
| Other assets | 36 | 16,801,769 | 18,182,827 | (7.6) | 15,535,062 | 18,199,140 | 19,125,554 | (4.8) | 16,497,285 |
| **Total assets** | | 1,048,220,991 | 838,273,040 | 25.0 | 720,247,746 | 1,079,353,218 | 864,633,480 | 24.8 | 742,069,065 |
| **Liabilities** | | | | | | | | | |
| Due to banks | 37 | 10,127,983 | 6,507,833 | 55.6 | 2,214,596 | 10,329,510 | 8,357,333 | 23.6 | 2,458,511 |
| Derivative financial instruments | 38 | 74,314 | 987,775 | (92.5) | 157,854 | 74,314 | 987,775 | (92.5) | 157,854 |
| Due to customers | 39 | 693,440,642 | 595,773,738 | 16.4 | 530,091,812 | 700,168,802 | 603,406,426 | 16.0 | 537,153,200 |
| Other borrowings | 40 | 233,795,515 | 138,388,932 | 68.9 | 105,169,017 | 245,140,679 | 143,359,562 | 71.0 | 109,693,669 |
| Debt securities issued | 41 | 23,296,349 | 25,236,518 | (7.7) | 26,623,371 | 24,481,798 | 26,429,041 | (7.4) | 27,369,072 |
| Current tax liabilities | | 2,208,461 | 1,139,464 | 93.8 | 2,199,758 | 2,418,079 | 1,289,186 | 87.6 | 2,422,527 |
| Deferred tax liabilities | 35 | 351,279 | 395,268 | (11.1) | 46,185 | 1,699,612 | 1,759,690 | (3.4) | 1,125,893 |
| Insurance provision - life | 42.1 | - | - | - | - | 166,087 | 115,210 | 44.2 | 78,681 |
| Insurance provision - non life | 42.2 | - | - | - | - | 571,068 | 342,848 | 66.6 | 264,490 |
| Other liabilities | 43 | 10,155,542 | 11,134,423 | (8.8) | 10,346,562 | 11,859,101 | 12,402,274 | (4.4) | 11,399,724 |
| Subordinated term debts | 45 | 23,818,024 | 17,355,284 | 37.2 | 13,492,025 | 23,801,505 | 17,343,828 | 37.2 | 13,492,025 |
| **Total liabilities** | | 997,268,109 | 796,919,235 | 25.1 | 690,341,180 | 1,020,710,555 | 815,793,173 | 25.1 | 705,615,646 |
| **Equity** | | | | | | | | | |
| Share capital | 46 | 5,000,000 | 5,000,000 | - | 5,000,000 | 5,000,000 | 5,000,000 | - | 5,000,000 |
| Permanent reserve fund | 47 | 3,285,955 | 3,008,000 | 9.2 | 2,777,500 | 3,285,955 | 3,008,000 | 9.2 | 2,777,500 |
| Retained earnings | | 27,639,146 | 21,733,008 | 27.2 | 14,563,559 | 29,318,089 | 23,355,259 | 25.5 | 16,616,493 |
| Other reserves | 48 | 15,027,781 | 11,612,797 | 29.4 | 7,565,507 | 19,621,126 | 16,028,017 | 22.4 | 10,794,955 |
| Total equity attributable to the parent | | 50,952,882 | 41,353,805 | 23.2 | 29,906,566 | 57,225,170 | 47,391,276 | 20.8 | 35,188,948 |
| Non controlling interest | | - | - | - | - | 1,417,493 | 1,449,031 | (2.2) | 1,264,471 |
| **Total equity** | | 50,952,882 | 41,353,805 | 23.2 | 29,906,566 | 58,642,663 | 48,840,307 | 20.1 | 36,453,419 |
| **Total liabilities and equity** | | 1,048,220,991 | 838,273,040 | 25.0 | 720,247,746 | 1,079,353,218 | 864,633,480 | 24.8 | 742,069,065 |
| **Commitments and contingencies** | 50 | 455,180,815 | 409,747,168 | 11.1 | 313,039,513 | 455,863,271 | 410,879,389 | 10.9 | 314,956,820 |
| **Net assets per share (LKR)** | | 10,190.58 | 8,270.76 | 23.2 | 5,981.31 | 11,445.03 | 9,478.26 | 20.8 | 7,037.79 |

The notes from pages 244 to 338 form an integral part of these Financial Statements.

These Financial Statements give a true and fair view of the state of affairs of Bank of Ceylon and the Group as at 31st December 2012 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,

**Razik Zarook**
*Chairman*

**R Sivaraman**
*Director*

**D M Gunasekara**
*General Manager*

21st March 2013
Colombo

# Statement of Changes in Equity

| Bank | Note No. | Share Capital | Permanent reserve fund | Other reserves: Available for sale reserve [Note 48.8] | Other reserves: Investment fund account | Other reserves: Other reserves | Other reserves: Revaluation reserve | Retained profit | Total equity |
|---|---|---|---|---|---|---|---|---|---|
| | | LKR ' 000 | LKR ' 000 | LKR ' 000 | LKR ' 000 | LKR ' 000 | LKR ' 000 | LKR ' 000 | LKR ' 000 |
| Balance as at 31st December 2010 | | 5,000,000 | 2,777,500 | - | - | 1,516,295 | 125,299 | 18,712,777 | 28,131,871 |
| Impact of adopting SLFRSs / LKASs as at 1st January 2011 | | - | - | 6,001,624 | - | (77,711) | - | (4,149,218) | 1,774,695 |
| Adjusted balance as at 1st January 2011 | | 5,000,000 | 2,77 7,500 | 6,001,624 | - | 1,438,584 | 125,299 | 14,563,559 | 29,906,566 |
| **Balance as at 1st January 2011** | | 5,000,000 | 2,777,500 | 6,001,624 | - | 1,438,584 | 125,299 | 14,563,559 | 29,906,566 |
| Total comprehensive income for the year | | | | | | | | | |
| Profit for the year | | - | - | - | - | - | - | 11,917,605 | 11,917,605 |
| Other comprehensive income, net of tax | | - | - | (1,832,161) | - | (130,541) | 4,487,362 | 851,384 | 3,376,044 |
| | | - | - | (1,832,161) | - | (130,541) | 4,487,362 | 12,768,989 | 15,293,649 |
| Dividends for 2011 | 18.3 | - | - | - | - | - | - | (3,846,410) | (3,846,410) |
| Transfers to investment fund account | 48.2 | - | - | - | 1,484,073 | - | - | (1,484,073) | - |
| Transfers to permanent reserve fund | 47 | - | 230,500 | - | - | - | - | (230,500) | - |
| Transfers to primary dealer special risk reserve | 48.5 | - | - | - | - | 38,557 | - | (38,557) | - |
| **Balance as at 31st December 2011** | | 5,000,000 | 3,008,000 | 4,169,463 | 1,484,073 | 1,346,600 | 4,612,661 | 21,733,008 | 41,353,805 |
| **Balance as at 1st January 2012** | | 5,000,000 | 3,008,000 | 4,169,463 | 1,484,073 | 1,346,600 | 4,612,661 | 21,733,008 | 41,353,805 |
| Total comprehensive income for the year | | | | | | | | | |
| Profit for the year | | - | - | - | - | - | - | 14,416,621 | 14,416,621 |
| Other comprehensive income, net of tax | | - | - | (766,275) | - | 253,847 | 609,653 | 431,641 | 528,866 |
| | | - | - | (766,275) | - | 253,847 | 609,653 | 14,848,262 | 14,945,487 |
| Dividends for 2012 | 18.3 | - | - | - | - | - | - | (5,346,410) | (5,346,410) |
| Transfers to investment fund account | 48.2 | - | - | - | 3,232,612 | - | - | (3,232,612) | - |
| Transfers to permanent reserve fund | 47 | - | 277,955 | - | - | - | - | (277,955) | - |
| Transfers to primary dealer special risk reserve | 48.5 | - | - | - | - | 85,147 | - | (85,147) | - |
| **Balance as at 31st December 2012** | | 5,000,000 | 3,285,955 | 3,403,188 | 4,716,685 | 1,685,594 | 5,222,314 | 27,639,146 | 50,952,882 |

The notes from pages 244 to 338 form an integral part of these Financial Statements.

# Statement of Changes in Equity

| Group | Note No. | Share Capital | Permanent reserve fund | Available for sale reserve [Note 48.8] | Other reserves: Investment fund account | Other reserves: Other reserves | Other reserves: Revaluation reserve | Other reserves: Retained profit | Non controlling interest | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|
| | | LKR ' 000 | LKR ' 000 | LKR ' 000 | LKR ' 000 | LKR ' 000 | LKR ' 000 | LKR ' 000 | LKR ' 000 | LKR ' 000 |
| Balance as at 31st December 2010 | | 5,000,000 | 2,777,500 | - | - | 1,846,865 | 178,692 | 20,393,029 | 1,065,411 | 31,261,497 |
| Impact of adopting SLFRSs / LKASs as at 1st January 2011 | | - | - | 6,429,916 | - | (75,121) | 2,414,603 | (3,776,536) | 199,060 | 5,191,922 |
| Adjusted balance as at 1st January 2011 | | 5,000,000 | 2,777,500 | 6,429,916 | - | 1,771,744 | 2,593,295 | 16,616,493 | 1,264,471 | 36,453,419 |
| **Balance as at 1st January 2011** | | 5,000,000 | 2,777,500 | 6,429,916 | - | 1,771,744 | 2,593,295 | 16,616,493 | 1,264,471 | 36,453,419 |
| Total comprehensive income for the year | | | | | | | | | | |
| Profit for the year | | - | - | - | - | - | - | 11,592,078 | 74,732 | 11,666,810 |
| Other comprehensive income, net of tax | | - | - | (1,442,422) | - | (135,398) | 5,122,877 | 820,521 | 64,385 | 4,429,963 |
| | | - | - | (1,442,422) | - | (135,398) | 5,122,877 | 12,412,599 | 139,117 | 16,096,773 |
| Dividends for 2011 | 18.3 | - | - | - | - | - | - | (3,846,410) | (63,834) | (3,910,244) |
| Transfers to investment fund account | 48.2 | - | - | - | 1,570,276 | - | - | (1,570,276) | - | - |
| Transfers to permanent reserve fund | 47 | - | 230,500 | - | - | - | - | (230,500) | - | - |
| Transfers to other reserves | | - | - | - | - | 79,172 | - | (79,172) | - | - |
| Acquisition,disposal and changes in non controlling interest | | - | - | - | - | - | - | 91,082 | 109,277 | 200,359 |
| Transfers to primary dealer special risk reserve | 48.5 | - | - | - | - | 38,557 | - | (38,557) | - | - |
| **Balance as at 31st December 2011** | | 5,000,000 | 3,008,000 | 4,987,494 | 1,570,276 | 1,754,075 | 7,716,172 | 23,355,259 | 1,449,031 | 48,840,307 |
| **Balance as at 1st January 2012** | | 5,000,000 | 3,008,000 | 4,987,494 | 1,570,276 | 1,754,075 | 7,716,172 | 23,355,259 | 1,449,031 | 48,840,307 |
| Total comprehensive income for the year | | | | | | | | | | |
| Profit for the year | | - | - | - | - | - | - | 14,580,264 | 27,730 | 14,607,994 |
| Other comprehensive income, net of tax | | - | - | (1,016,579) | - | 567,944 | 651,565 | 421,634 | (21,907) | 602,657 |
| | | - | - | (1,016,579) | - | 567,944 | 651,565 | 15,001,898 | 5,823 | 15,210,651 |
| Dividends for 2012 | 18.3 | - | - | - | - | - | - | (5,346,410) | - | (5,346,410) |
| Subsidiary dividends to non controlling interest | | - | - | - | - | - | - | - | (60,302) | (60,302) |
| Transfers to investment fund account | 48.2 | - | - | - | 3,279,672 | - | - | (3,279,672) | - | - |
| Transfers to permanent reserve fund | 47 | - | 277,955 | - | - | - | - | (277,955) | - | - |
| Transfers to other reserves | | - | - | - | - | 25,360 | - | (25,360) | - | - |
| Acquisition,disposal and changes in non controlling interest | | - | - | - | - | - | - | (24,524) | 22,941 | (1,583) |
| Transfers to primary dealer special risk reserve | 48.5 | - | - | - | - | 85,147 | - | (85,147) | - | - |
| **Balance as at 31st December 2012** | | 5,000,000 | 3,285,955 | 3,970,915 | 4,849,948 | 2,432,526 | 8,367,737 | 29,318,089 | 1,417,493 | 58,642,663 |

The notes from pages 244 to 338 form an integral part of these Financial Statements.

# Statement of Cash Flows

| For the year ended 31st December | Note No. | Bank 2012 LKR '000 | Bank 2011 LKR '000 | Group 2012 LKR '000 | Group 2011 LKR '000 |
|---|---|---|---|---|---|
| **Cash Flows from Operating Activities** | | | | | |
| Profit before income tax | | 19,794,298 | 16,484,715 | 20,246,268 | 16,491,346 |
| **Adjustments for :** | | | | | |
| Net interest income | 8 | (35,320,919) | (25,006,509) | (37,262,295) | (26,824,049) |
| Dividend income on trading securities | 10 | (94,153) | (86,786) | (94,377) | (91,845) |
| Dividends from Subsidiaries and Associates | | (324,798) | (278,091) | - | - |
| Share of (profit) / loss of Associate Companies before tax | 16 | - | - | (38,585) | (208,716) |
| Change in operating assets | 49.1 | (116,036,895) | (132,698,370) | (115,905,927) | (139,145,819) |
| Change in operating liabilities | 49.2 | 82,392,310 | 82,140,834 | 83,188,312 | 84,258,673 |
| Other non cash items included in profit before tax | 49.3 | 7,732,156 | 2,353,683 | 8,104,859 | 3,015,001 |
| Other net (gain) / loss from investing activities | | (465,822) | (368,200) | (464,247) | (378,671) |
| | | (42,323,823) | (57,458,724) | (42,225,992) | (62,884,080) |
| Contribution paid to defined benefit plans | | (4,156,871) | (3,257,607) | (4,169,844) | (3,268,782) |
| Interest received | | 66,059,418 | 46,899,319 | 69,705,947 | 49,923,644 |
| Interest paid | | (34,795,501) | (25,179,000) | (37,108,275) | (26,157,931) |
| Dividend received | | 94,153 | 86,786 | 94,377 | 91,845 |
| **Net cash used in operating activities before income tax** | | (15,122,624) | (38,909,226) | (13,703,787) | (42,295,304) |
| Income tax paid | | (4,148,349) | (3,439,227) | (4,382,700) | (3,576,228) |
| **Net cash used in operating activities** | | (19,270,973) | (42,348,453) | (18,086,487) | (45,871,532) |
| **Cash Flows from Investing Activities** | | | | | |
| Net increase in financial investments - Held to maturity | | (56,731,405) | (1,576,946) | (57,025,638) | (1,071,309) |
| Net increase in financial investments - Available for sale | | (1,727,908) | (1,868,404) | (1,281,698) | (2,549,911) |
| Net increase in financial investments - Loans & receivable | | (9,480,520) | (1,290,607) | (9,558,613) | (1,188,006) |
| Increase in interest in Subsidiaries | | (596,624) | - | (1,350) | - |
| Acquisition of investment properties | | - | - | - | (15,000) |
| Acquisition of property, plant & equipment and leasehold properties | | (1,066,781) | (1,085,125) | (1,316,646) | (1,562,216) |
| Acquisition of intangible assets | | (153,783) | (275,283) | (166,401) | (342,517) |
| Proceeds from investment properties | | - | - | 1,140 | 232,707 |
| Proceeds from sale of property, plant & equipment | | 105,603 | 13,759 | 106,413 | 33,735 |
| Dividend received | | 646,036 | 625,838 | 367,080 | 401,018 |
| Interest received | | 16,040,375 | 12,380,625 | 17,996,652 | 12,713,071 |
| **Net cash generated from / (used in) investing activities** | | (52,965,007) | 6,923,857 | (50,879,061) | 6,651,572 |
| **Cash Flows from Financing Activities** | | | | | |
| Net increase in other borrowings | | 105,650,070 | 23,003,094 | 110,535,429 | 23,047,911 |
| Proceeds from non controlling interest on issue of rights in Subsidiary | | - | - | 18,335 | 201,000 |
| Proceeds from issue of debentures | | 9,400,000 | 5,000,000 | 9,400,000 | 6,000,000 |
| Payments on redemption of debentures | | (5,500,000) | (2,450,000) | (5,550,000) | (2,877,500) |
| Dividends paid to Government of Sri Lanka | | (5,346,410) | (4,019,615) | (5,346,410) | (4,019,615) |
| Dividends paid to non controlling interest | | - | - | (60,302) | (63,834) |
| Interest payments on borrowings and debt securities | | (14,563,581) | (9,057,244) | (15,874,370) | (9,037,882) |
| **Net cash generated from financing activities** | | 89,640,079 | 12,476,235 | 93,122,682 | 13,250,080 |
| Net increase / (decrease) in cash and cash equivalents during the year | | 17,404,099 | (22,948,361) | 24,157,134 | (25,969,880) |
| Cash and cash equivalents at the beginning of the year | | 29,376,816 | 52,325,177 | 31,139,634 | 57,109,514 |
| **Cash and cash equivalents at the end of the year** | | 46,780,915 | 29,376,816 | 55,296,768 | 31,139,634 |
| Note I | | | | | |
| **Analysis of cash and cash equivalents** | | | | | |
| Cash and short term funds | 20 | 31,544,558 | 18,670,911 | 31,955,777 | 18,780,907 |
| Due from banks with maturity less than three months | | 15,381,086 | 10,840,927 | 23,572,247 | 13,783,380 |
| Bank overdrafts | 37 | (144,729) | (135,022) | (231,256) | (1,424,653) |
| | | 46,780,915 | 29,376,816 | 55,296,768 | 31,139,634 |

The notes from pages 244 to 338 form an integral part of these Financial Statements.

# Notes to the Financial Statements

## 1. REPORTING ENTITY

Bank of Ceylon (the "Bank") is a Government corporation domiciled in Sri Lanka, duly incorporated on 1st August 1939 under the Bank of Ceylon Ordinance No.53 of 1938. It is a licensed commercial bank under the Banking Act No.30 of 1988 and amendments thereto. The registered office of the Bank is situated at Bank of Ceylon, "BOC Square", No.01, Bank of Ceylon Mawatha, Colombo 01, Sri Lanka. The debentures issued by the Bank are listed on the Colombo Stock Exchange and the senior notes amount USD 500 million are listed on the Singapore Stock Exchange.

The staff strength of the Bank as at 31st December 2012 was 7,790 (2011 - 8,115).

**Consolidated Financial Statements**
The Consolidated Financial Statements prepared as at and for the year ended 31st December 2012 comprise the Bank ("Parent"), its Subsidiaries (together referred to as the "Group") and the Group's interests in its Associate companies.

The Bank does not have an identifiable parent of its own.

**Approval of Financial Statements by the Board of Directors**
The Financial Statements for the year ended 31st December 2012 were authorised for issue on 21st March 2013.

### 1.1 Principal Activities

**Bank**
The principal activities of the Bank during the year were commercial banking, personal banking, development financing, mortgage financing, lease financing, investment banking, Islamic banking, Bancassurance, corporate financing, dealing in government securities, pawning, credit card facilities, off-shore banking, foreign currency operations, tele-banking facilities, internet banking and other financial services.

**Subsidiaries**
The principal activities of the Subsidiaries of the Bank are as follows :

| Name of Company | Principal Activities |
|---|---|
| Property Development PLC | Own, maintain and manage the Bank of Ceylon head office building |
| Merchant Bank of Sri Lanka PLC | Leasing and hire purchase, trade finance, micro credit, corporate advisory services, capital market activities and corporate secretarial services |
| BOC Management & Support Services (Private) Limited | Provides management services to the Group |
| BOC Property Development & Management (Private) Limited | Renting of office space of BOC Merchant Tower in Colombo 03 and Ceybank House in Kandy |
| BOC Travels (Private) Limited | Engages in travel related services |
| Hotels Colombo (1963) Limited | Provides hotel services |
| MCSL Financial Services Limited | Acceptance of deposits, granting lease facilities, hire purchase, loans and other credit facilities, real estate developments and related services |
| Ceylease Limited | Granting lease facilities, hire purchase, loans and other credit facilities, real estate developments and pawning |
| Ceybank Holiday Homes (Private) Limited | Operating of pilgrims rests, holiday homes and guest houses |
| MBSL Insurance Company Limited | Underwriting of all classes of life and general insurance |
| Koladeniya Hydropower (Private) Limited | Hydropower generation |
| Bank of Ceylon (UK) Limited | Registered under the Financial Services Authority of United Kingdom and provides financial services including accepting deposits and dealing in investments |
| MBSL Savings Bank Limited | Licensed Specialised Bank and provides financial services including accepting deposits, granting term and mortgage loans, lease financing, hire purchase financing, pawning and etc. |

**Associates**
The principal activities of the Associates of the Bank are as follows.

| Name of Company | Principal Activities |
|---|---|
| Ceybank Asset Management Limited | Management of Unit Trust Funds and other private portfolios |
| Southern Development Financial Company Limited | Granting loan facilities |
| Lanka Securities (Private) Limited | Registered stock broker engages in equity trading, debt trading and margin trading |
| Mireka Capital Land (Private) Limited | Purchasing, hiring and acquiring real estate properties, real estate developments and providing infrastructure facilities to real estate development projects |
| Transnational Lanka Records Solutions (Private) Limited | Renting properties and real estates. |

There were no significant changes in the nature of principal activities of the Bank, Subsidiaries and Associates during the year under review.

Subsequent to the year end 2012, two subsidiaries, Ceylease Limited and MCSL Financial Services Limited have entered into merger agreement, which is due to complete in due course. MCSL Financial Services Limited is continued to be the post amalgamated entity.

Further, two subsidiaries Merchant Bank of Sri Lanka PLC and MBSL Savings Bank Limited have agreed to merge and Merchant Bank of Sri Lanka PLC is continued to be the post amalgamated entity. Merchant Bank of Sri Lanka PLC is awaiting for a license to convert it to a Licensed Specialised Bank along with the merger. Upon receipt of approval of the Central Bank of Sri Lanka, Merchant Bank of Sri Lanka PLC will operate as a Licensed Specialised Bank.

Arrangements have been made to liquidate Southern Development Financial Company Limited during 2013.

## 2. DIRECTORS' RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Board of Directors is responsible for the preparation and presentation of the Financial Statements of the Bank and its subsidiaries and associates in compliance with the requirements of the Bank of Ceylon Ordinance and its amendments read with the

Banking Act No. 30 of 1988 and its amendments thereto and Sri Lanka Accounting Standards.

## 3. BASIS OF PREPARATION

### 3.1 Statement of Compliance

The Consolidated Financial Statements of the Group and the separate Financial Statements of the Bank have been prepared in accordance with Sri Lanka Accounting Standards comprising of Sri Lanka Financial Reporting Standards and Sri Lanka Accounting Standards laid down by The Institute of Chartered Accountants of Sri Lanka. (together referred to as SLFRS in these Financial Statements) The preparation and presentation of these Financial Statements are in compliance with the requirements of the Bank of Ceylon Ordinance and the Companies Act No.07 of 2007. The presentation of the Financial Statements is also in compliance with the requirements of the Banking Act No.30 of 1988.

These Financial Statements, for the year ended 31st December 2012, are the first the Group has prepared in accordance with SLFRS. For periods up to and including the year ended 31st December 2011, the Group prepared its Financial Statements in accordance with the Sri Lanka Accounting Standards (SLAS) which were applicable up to that date.

Accordingly, the Group has prepared Financial Statements which comply with SLFRS applicable for the year ending on or after 31st December 2012, together with the comparative year data as at and for the year ended 31st December 2011, as described in the accounting policies. In preparing these Financial Statements, the Group's opening Statement of Financial Position was prepared as at 1st January 2011, the Group's date of transition to SLFRS. Note 57 explains the principal adjustments made by the Bank and the Group in restating its Statement of Financial Position as at 1st January 2011 and its previously published Financial Statements as at and for the year ended 31st December 2011.

### 3.2 Basis of Measurement

The Consolidated Financial Statements have been prepared on the basis of historical cost convention except for the following:

- Financial assets held for trading are measured at fair value
- Derivative financial instruments are measured at fair value
- Available-for-sale financial assets are measured at fair value
- Owner occupied freehold land and building is measured at revalued amount less any subsequent accumulated depreciation and impairment losses
- Defined benefit obligations are actuarially valued and recognised as the present value of the defined benefit obligation less total of the fair value of plan assets.

No adjustments have been made for inflationary factors affecting the Financial Statements.

### 3.3 Functional and Presentation currency

Items included in the Consolidated Financial Statements are measured in Sri Lankan Rupees ('LKR') which is the currency of the primary economic environment in which the Bank operates. The Consolidated Financial Statements are presented in Sri Lankan Rupees, which is the Group's functional and presentation currency. Except as otherwise indicated, financial information presented in Sri Lankan Rupees has been rounded to the nearest thousand.

### 3.4 Presentation of Financial Statements

The Bank and the Group present its Statement of Financial Position broadly in order of their relative liquidity.

Financial Assets and Financial Liabilities are offset and the net amount is reported in the Consolidated Statement of Financial Position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expenses are not offset in the Consolidated Income Statement unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Bank.

### 3.5 Use of Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Consolidated Financial Statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The judgment, estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances and reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and/or in future periods if the revision affects future periods too.

In the process of applying the Group's accounting policies, management has made the following estimates, assumptions and judgments, which have the most significant effect on the amounts recognised in the Consolidated Financial Statements.

**Going Concern**

The management has made an assessment on the Bank's ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern.

Therefore, the Financial Statements continue to be prepared on the going concern basis.

**Fair Value of Financial Instruments**

When the fair value of financial assets and financial liabilities recorded in the Statement of Financial Position cannot be derived from active markets, they are determined using variety of valuation techniques that include the use of mathematical models. The inputs to these models are taken from observable markets where possible, however if such data are not available, a degree of judgment is exercised in establishing fair values.

**Impairment of Available for Sale Investments**

The Group reviews its debt securities classified as Available for Sale Investments at each reporting date to assess whether they are impaired. This requires similar judgment as applied to the individual assessment of loans and advances. The Group also records impairment charges on available for sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is 'significant or prolonged' requires judgment. In making this judgment, the Group evaluates, among other factors, historical share price movements and duration and extent to which the fair value of an investment is less than its carrying value.

**Impairment Losses on Loans and Advances**

The Group reviews its individually significant loans and advances at each reporting date to assess whether an impairment loss should be recorded in the Income Statement. In particular, management's judgment is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

Loans and advances that have been assessed individually and found to be not impaired and all individually insignificant loans and advances are assessed collectively, in groups of assets with similar risk characteristics,

to determine whether provision should be made based on incurred loss events for which there is objective evidence, but the effects of which are not yet evident. The collective assessment takes account of data from the loan portfolio (such as loan type, levels of arrears etc.), and judgments on the effect of concentrations of risks and economic data (including levels of unemployment, real estate prices indices, country risk and the performance of different individual groups).

**Defined Benefit Obligation**
The cost of the defined benefit pension plans and other post employment benefit plans are determined using an actuarial valuation. An actuarial valuation involves making various assumptions determining the discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long term nature of these plans, such estimates are subject to significant uncertainty. All assumptions are reviewed at each reporting date.

**Fair Value of Property Plant and Equipment**
The freehold land and buildings and the buildings on leasehold land of the Group are reflected at fair value. The group engaged independent valuation specialists to determine fair value of such properties. When current market prices of similar assets are available, such evidences are considered in estimating fair value of these assets.

**Taxation**
The Group is subject to income tax and other taxes including Value Added Tax (VAT) on financial services. Significant judgment was required to determine the total provision for current, differed and other taxes pending the issues of tax guidelines on the treatment of the adoption of SLFRS in the Financial Statements and the taxable profit for the purpose of imposition of taxes. Uncertainties exist with respect to the interpretation of the applicability of tax laws, at time of the preparation of these Financial Statements.

The Group recognises assets and liabilities as current, differed and other taxes based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income and differed tax amounts in the period in which the determination is made.

**Useful Life Time of the Property Plant and Equipment**
The Group reviews the residual values, useful lives and methods of depreciation of assets at each reporting date. Judgment of the management is exercised in the estimation of these values, rates methods and hence they are subject to uncertainty.

## 4. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied by the Bank and the Group in preparation of its Financial Statements are included below. The accounting policies set out below have been consistently applied to all periods presented in these Financial Statements and in preparing the opening SLFRS Statement of Financial Position as at 1st January 2011 for the purpose of transition to SLFRS, unless otherwise indicated.

### 4.1 Basis of Consolidation

#### 4.1.1 Subsidiaries

Subsidiaries are entities controlled by the Bank. The Financial Statements of subsidiaries are included in the Consolidated Financial Statements from the date that control commences until the date that control ceases. The Financial Statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances.

The Consolidated Financial Statements are prepared to common financial year end of 31st December.

There are no significant restrictions on the ability of Subsidiaries to transfer funds to the parent in the form of cash dividends or to repay loans and advances. All subsidiaries of the Bank have been incorporated in Sri Lanka except for Bank of Ceylon (UK) Limited, which is incorporated in the United Kingdom.

A listing of the Bank's Subsidiaries is given in Note 1.1 to the Financial Statements.

#### 4.1.2 Associates

Associates are those entities in which the Bank has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity. Investments in associate entities are accounted for using the equity method (equity-accounted investees) and are recognized initially at cost. The cost of the investment includes transaction costs. Even though the Bank holds between 20 and 50 percent of share holdings, if the Bank does not have significant influence, such entities are not considered as associates.

The Consolidated Financial Statements include the Bank's share of the profit or loss and other comprehensive income, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Bank's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of that interest, including any long-term investments, is reported at nil, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee. If the associate subsequently reports profits, the Bank's resumes recognising it share of those profits only after its share of the profits equals the share of losses not recognised.

A list of the Bank's Associates is shown in Note 1.1 to the Financial Statements.

#### 4.1.3 Business Combination

Group measures goodwill as the fair value of the consideration transferred including the recognised amount of any non-controlling interest in the acquires , less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date less any impairment losses. Also goodwill to be reviewed for impairment periodically. However, as per the requirements of the Section 22 of the Banking Act No 30 of 1988, goodwill is written off in full in the year of acquisition.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss. The Group elects on a transaction-by-transaction basis whether to measure non-controlling interest at its fair value, or at its proportionate share of the recognised amount of the identifiable net assets, at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

#### 4.1.4 Acquisitions of Non-Controlling Interests

Acquisitions of non-controlling interests are accounted for as transactions with equity holders in their capacity as equity holders. Therefore, no

goodwill is recognised as a result of such transactions.

### 4.1.5 Loss of Control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the Subsidiary. Any surplus or deficit arising on the loss of control is recognised in the Income Statement. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or in accordance with the Group's accounting policy for financial instruments .

### 4.1.6 Transactions Eliminated on Consolidation

All intra-group transactions, balances, income and expenses (except for foreign currency transaction gains or losses) are eliminated on consolidation. Unrealised gains and losses resulting from transactions between the Group and its Associates are also eliminated on consolidation to the extent of the Group's interests in the Associates.

Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

## 4.2 Foreign Currency

### 4.2.1 Foreign Currency Transactions

Transactions in foreign currencies are translated into the respective functional currency of the operation at the spot exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into the functional currency at the spot exchange rate at that date and all differences arising on non trading activities are taken to 'Other Operating Income' in the Income Statement.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated into the functional currency at the spot exchange rate at the date of the initial transaction.

Foreign currency differences arising on retranslation are recognised in the Income Statement.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Forward exchange contracts are valued at the forward market rates ruling on the reporting date resulting net unrealised gains or losses are dealt with the Income Statement.

### 4.2.2 Foreign Operations

The results and financial position of foreign operations, whose functional currencies are not Sri Lankan Rupees are translated into Sri Lankan Rupees as follows.

The assets and liabilities of foreign operations are translated into Sri Lankan Rupees at spot exchange rates at the reporting date. The income and expenses of foreign operations are translated at monthly average rate.

Foreign currency differences on the translation of foreign operations are recognised in Other Comprehensive Income.

When a foreign operation is disposed off, the relevant amount in the translation is transferred to the Income Statement as part of the profit or loss on disposal.

## 4.3 Cash and Cash Equivalents

Cash and cash equivalents include local and foreign currency notes and coins on hand, unrestricted balances held with central banks, balances with other banks and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

### 4.3.1 Cash Flow Statement

Consolidated Cash Flow Statement has been prepared by using of 'Indirect Method' in accordance with the Sri Lanka Accounting Standards - LKAS 07, whereby the profit is adjusted to derive the cash flow from operating activities. Cash and cash equivalents comprise cash, amounts due from / due to other banks other short-term highly liquid investment with maturity less than three months from date of acquisition.

## 4.4 Financial Assets and Financial Liabilities

### 4.4.1 Date of Recognition

All financial assets and liabilities are initially recognised on the settlement date, i.e., the date that the Group becomes a party to the contractual provisions of the instrument. This includes 'regular way trades': purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

### 4.4.2 Initial Measurement of Financial Instruments

The classification of financial instruments at initial recognition depends on their purpose and characteristics and the management's intention in acquiring them.

Financial assets and liabilities are initially measured at their fair value plus transaction cost, except in the case of financial assets and liabilities recorded at fair value through profit or loss.

For the purpose of measuring financial assets and liabilities following classification is made:

Fair value through profit or loss
Held-to-maturity investments
Loans and receivable
Available-for-sale financial assets

### 4.4.3 Financial Assets and Liabilities at Fair Value Through Profit or Loss

Financial assets and liabilities are classified as fair value through profit or loss (FVTPL) if they are held for trading or are designated at fair value through profit or loss. Upon initial recognition, transaction cost are directly attributable to the acquisition are recognized in profit or loss as incurred.

**• Derivatives Recorded at Fair Value Through Profit or Loss**

The Group uses derivatives such as cross-currency swaps, forward foreign exchange contracts. Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. Changes in the fair value of derivatives are included in 'Net trading income'.

**• Financial Assets and Liabilities Held for Trading**

Financial assets and liabilities held for trading are recorded in the Statement of Financial Position at fair value. Changes in the fair value of financial assets and liabilities held for trading is recorded in 'Net Trading Income'. Included in this classification are debt securities that have been acquired principally for the purpose of selling or repurchasing in the near term.

### 4.4.4 Held-to-Maturity Financial Assets

Held-to-maturity financial investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group has the positive intent and ability to hold to maturity.

After initial measurement, held-to-maturity financial assets are subsequently measured at amortised cost using the Effective Interest Rate (EIR) less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an

integral part of the EIR. The amortization is included in 'Interest Income' in the Income Statement. A sale or reclassification of a more than insignificant amount of held-to-maturity investments would result in the reclassification of all held-to-maturity investments as available for sale, and would prevent the Group from classifying investment securities as held to maturity for the current and the following two financial years. However, sales and reclassifications in any of the following circumstances would not trigger a reclassification:

- Sales or reclassifications that are so close to maturity that changes in the market rate of interest would not have a significant effect on the financial asset's fair value
- Sales or reclassifications after the Group has collected substantially all of the asset's original principal
- Sales or reclassifications attributable to non-recurring isolated events beyond the Group's control that could not have been reasonably anticipated

#### 4.4.5 Placements with Banks and Loans and Advances to Customers

'Placements with banks ' and 'Loans and advances to customers' include non–derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- Those that the bank intends to sell immediately or in the near term and those that the bank, upon initial recognition, designates as at fair value through profit or loss
- Those that the Bank, upon initial recognition, designates available for sale
- Those for which the bank may not recover substantially all of its initial investment, other than those due to credit deterioration

After initial measurement, 'Placements with banks' and 'Loans and advances to customers' are subsequently measured at amortised cost using the EIR, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortisation is included in 'Interest and similar income' in the Income Statement. The losses arising from impairment are recognised in the Income Statement under 'Impairment charge / (reversal) for loans and other losses'.

The Group writes off certain loans and advances and investment securities when they are determined to be uncollectible.

#### 4.4.6 Available-for-Sale Financial Investments

Available for sale investments include equity and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss.

Debt securities in this category are intended to be held for an indefinite period of time and may be sold in response to needs for liquidity or in response to changes in the market conditions. The Group has not designated any loans or receivables as available for sale.

After initial measurement, available for sale financial investments are subsequently measured at fair value.

Unrealised gains and losses are recognised directly in equity (Other Comprehensive Income) in the 'Available for sale reserve'. When the investment is disposed of, the cumulative gain or loss previously recognised in equity is recognised in the Income Statement under 'Other operating income'. Where the Group holds more than one investment in the same security, they are deemed to be disposed of on a first–in first–out basis. Interest earned whilst holding available for sale financial investments is reported as interest income using the EIR. Dividends earned whilst holding available for sale financial investments are recognised in the Income Statement as 'Other operating income' when the right of the payment has been established. The losses arising from impairment of investments' are removed from the 'Available for sale reserve'.

#### 4.4.7 'Day 1' Profit or Loss

When the transaction price differs from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets, the group immediately recognizes the difference between the transaction price and fair value (a 'Day 1' profit or loss) in 'Net trading income'. In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognized in the income statement over the life of the instrument.

#### 4.4.8 Debt Securities Issued and Other Borrowings

Financial instruments issued by the Group that are not designated at fair value through profit or loss, are classified as liabilities under 'Debt securities issued' and 'Other borrowings' , where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

After initial measurement, debt securities issued and other borrowings are subsequently measured at amortised cost using the EIR. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR.

#### 4.4.9 De-recognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset.

Any interest in transferred financial assets that qualify for derecognition that are created or retained by the Group is recognised as a separate asset or liability in the Statement of Financial Position. On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in Other Comprehensive Income is recognised in the Income Statement.

The Group enters into transactions whereby it transfers assets recognised on its Statement of Financial Position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions.

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as

a secured financing transaction similar to repurchase transactions as the Group retains all or substantially all the risks and rewards of ownership of such assets.

In transactions in which the Group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset and it retains control over the asset, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

In certain transactions the Group retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognised if it meets the derecognition criteria. An asset or liability is recognised for the servicing contract, depending on whether the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the service.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in the Income Statement.

### 4.4.10 Repurchase and Reverse Repurchase Agreements

Securities sold under agreements to repurchase at a specified future date are not derecognised from the Statement of Financial Position as the Group retains substantially all of the risks and rewards of ownership. The corresponding cash received is recognised in the Consolidated Statement of Financial Position as an asset with a corresponding obligation to return it, including accrued interest as a liability within 'Other Borrowings' , reflecting the transaction's economic substance as a loan to the Group. The difference between the sale and repurchase prices is treated as interest expense and is accrued over the life of agreement using the EIR.

Conversely, securities purchased under agreements to resell at a specified future date are not recognised in the Statement of Financial Position. The consideration paid, including accrued interest, is recorded in the Statement of Financial Position, within 'Reverse repurchase agreements' ,reflecting the transaction's economic substance as a loan by the Group. The difference between the purchase and resale prices is recorded in 'Net interest income' and is accrued over the life of the agreement using the EIR.

### 4.4.11 Determination of Fair Value

The fair value for financial instruments traded in active markets at the reporting date is based on their average quoted market price or average dealer price quotations, without any deduction for transaction costs.

For all other financial instruments not traded in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include the discounted cash flow method, comparison with similar instruments for which market observable prices exist, and other relevant valuation models.

### 4.4.12 Offsetting

Financial assets and liabilities are offset and the net amount presented in the Statement of Financial Position when, and only when, the Group has a legal right to set off the recognised amounts and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

### 4.4.13 Impairment of Financial Assets

At each reporting date the Group assesses whether there is objective evidence that a financial assets or a group of financial assets is impaired.

A financial asset or a group of financial assets is impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s), and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

**• Those Impairment of Financial Assets Carried at Amortized Cost**
The Group assesses at each reporting date, whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Objective evidence that financial assets (including equity securities) are impaired can include significant financial difficulty of the borrower or issuer, default or delinquency by a borrower, restructuring of a loan or advance by the Group on terms that the Group would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the Group.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Income Statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.The interest income is recorded as part of 'Interest income'.

All individually significant loans and advances found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and advances that are not individually significant are collectively assessed for impairment by grouping together loans and advances with similar risk characteristics.

In assessing collective impairment the Group uses statistical modeling of historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical modeling.

Impairment of loans and advances portfolios are based on the judgments in past experience of portfolio behavior. However, this port folios are not gone through the full economic life cycle. It may not encounter any future uncertainties that could arise. Therefore, to avoid this limitation an economic factor adjustment has been incorporated in the Financial Statements.

Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write–off is later recovered, the recovery is recognized in the 'Other Operating Income'.

**• Impairment Assessment of Held to Maturity Financial Assets**
Impairment losses on held to maturity financial assets measured at amortised cost are calculated as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Impairment losses are recognised in the Income Statement and reflected

in an impairment charges against loans and advances. Interest on impaired assets continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the Income Statement.

• **Impairment Assessment of Available for Sale Investments**
Impairment losses on available-for-sale investment securities are recognised by transferring the cumulative loss that has been recognised in Other Comprehensive Income to the Income Statement as a reclassification adjustment. The cumulative loss that is reclassified from Other Comprehensive Income to the Income Statement is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in the Income Statement. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the Income Statement, the impairment loss is reversed, with the amount of the reversal recognised in the Income Statement. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in Other Comprehensive Income.

• **Renegotiated Loans**
Where possible, the Group seeks to restructure loans rather than take possession of collateral. This may involve extending the payment arrangements and agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms and the loan is no longer considered past due. Management continually reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original EIR.

• **Collateral Valuation**
The Group seeks to use collateral, where possible, to mitigate its risks on financial assets. The collateral comes in various forms such as cash, securities, letters of credit / guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements.

The fair value of collateral is generally assessed, at a minimum, at inception and based on the guidelines issued by the Central Bank of Sri Lanka.

Non-financial collateral, such as real estate, is valued based on data provided by third parties such as independent valuers and Audited Financial Statements.

• **Collateral Repossessed**
The Group's policy is to determine whether a repossessed asset is best used for its internal operations or be sold. Assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset.

### 4.5 Non – Financial Assets
### 4.5.1 Property, Plant and Equipment
#### 4.5.1.1 Recognition and Measurement

Property, Plant and 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.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses for plant and equipment. Revaluation model is applied for entire class of freehold land and buildings and buildings on leasehold lands.

Such properties that carried at revaluation amount being their fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Freehold and leasehold 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 reporting date. An surplus arising on revaluation of an asset is recognised in the Other Comprehensive Income except to the extent that surplus reverse a previous revaluation deficit on the same asset recognised in the Statement of Other Comprehensive Income, in which case the credit to that extent is recognised in the Statement of Other Comprehensive Income. Any deficit in on revaluation is recognised in the Statement of Other Comprehensive Income except to the extent of that it reverses a previous revaluation surplus on the same asset, in which case the debit to that extent is recognised in Other Comprehensive Income.

Accumulated depreciation as at revaluation date is eliminated against the gross carrying amount of assets and the net amount restated to the revalued amount of the assets. Where the carrying value of the property, plant and equipment are reviewed for impairment, when an event or changes in circumstances indicate that the carrying value may not be recoverable.

When parts of an item of Property, Plant or Equipment have different useful lives, they are accounted for as separate items (major components) of property plant and equipment.

#### 4.5.1.2 Subsequent Costs

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the Income Statement as incurred.

#### 4.5.1.3 Depreciation

Depreciation is recognised in Income Statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment since this method most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets under finance leases are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. Further , cost of expansion and major

renovations on the building are depreciated over the remaining useful lives of the original buildings.

Provisioning for depreciation of property, plant and equipment is made on pro-rata basis.

The Group's estimated useful lives for the current and comparative periods are as follows:

| | |
|---|---|
| Freehold Building | Over 40 - 60 years |
| Office Equipment | Over 08 years |
| Furniture & Fittings | Over 08 years |
| Computer Equipment | Over 05 years |
| Motor Vehicles | Over 04 years |

Depreciation methods, useful lives and residual values are reassessed at each financial year-end and adjusted if appropriate.

#### 4.5.1.4 Derecognition

The carrying amount of an item of property, plant and equipment is derecognised on disposal, replacement or when no future economic benefits are expected from its use. The gain or loss arising from the derecognition of an item of property, plant and equipment is included in the Other operations income / expenses in the Income Statement in the year the item is derecognised.

#### 4.5.1.5 Useful Life and Residual Values

Residual value is the amount that an entity could receive for the asset at the reporting date if the asset were already at the age and in the condition that it will be in when the entity expects to dispose of it.

The residual and useful life of an asset are reviewed at least at each reporting date; changes in the residual value and useful life are accounted for prospectively as a change in an accounting estimate only if the residual value is material.

#### 4.5.1.6 Capital Work in Progress

Capital work-in-progress is stated at cost. These are expenses of a capital nature directly incurred in the construction of buildings, awaiting capitalisation.

### 4.5.2 Leased Assets – Lessee

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the Sri Lanka Accounting Standard (LKAS - 17 "Leases").

Leases other than finance leases are considered as operating leases and, these leased assets are not recognised in the Group's Statement of Financial Position.

### 4.5.3 Intangible Assets

Intangible assets represents the value of computer application software and licenses, other than software applied to the operation software system of computers.

Intangible assets acquired by the Group is stated at cost less accumulated amortisation and accumulated impairment losses.

Subsequent expenditure incurred on intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation is recognised in the Income Statement on a straight-line basis over the estimated useful lives of the intangible assets, from the date that it is available for use since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful life of intangible assets is five years or the best estimate of its useful economic life whichever is lower.

The unamortised balances of intangible assets with finite lives are reviewed for impairment whenever there is an indication for impairment and recognised as expenses in the Income Statement to the extent that they are no longer probable of being recovered from the expected future benefits.

Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

Intangible assets are derecognised when it reveals that they will not generate economic benefits or circumstances indicate that the carrying value is impaired.

Gains or losses arising from derecognition of an intangible assets are measured as the difference between the net disposal proceeds and the carrying amount of the assets and are recognised in Income Statement.

### 4.5.4 Impairment of non-financial assets

The Bank assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Bank estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or the fair value of the Cash Generating Unit's (CGU) fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre- tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset, in determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded Subsidiaries or other valuable fair value indicators.

## 4.6 Employee Benefits

### 4.6.1 Defined Contribution Plans

A Defined Contribution Plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the Income Statement when they are due in respect of service rendered before the end of the reporting period. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan that is due more than 12 months after the end of the reporting period in which the employees render the service are discounted to their present value at the reporting date.

**• Bank of Ceylon Provident Fund**

All employees of the Bank are members of the 'Bank of Ceylon Provident Fund' to which the Bank contributes 12% of employee's monthly gross salary excluding overtime while employees contribute 8%. The Bank's Provident Fund is an approved fund, which is independently administered.

**• Employees' Provident Fund**

The Subsidiaries and their employees (other than Bank of Ceylon and its employees) contribute 12% (15% by Property Development PLC) and 8% respectively on salary of each employee to Employees' Provident Fund, in terms of the Employees' Provident Fund Act No. 15 of 1958 as amended.

• **Employees' Trust Fund**
All employees of the Bank and its Subsidiaries are members of the Employees' Trust Fund to which Bank / Group contributes 3% of employee's monthly gross salary excluding overtime, in terms of Employees' Trust Fund Act No. 46 of 1980.

### 4.6.2 Defined Benefit Plans

A Defined Benefit Plan is a post employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods and discounting that benefit to determine its present value, and then deducting the fair value of any plan assets. The discount rate is the yield at the reporting date on long term treasury bond rate for discount rates actually used that have maturity dates approximating the terms of the Group's obligations. The calculation is performed by a qualified actuary using the projected unit credit method.

The Group recognises all actuarial gains and losses arising from defined benefit plans in the Statement of Other Comprehensive Income and the expenses related to defined benefit plans under personnel expenses in the Income Statement.

• **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.

The Fund is actuarially valued by a qualified actuary annually.

The Subsidiaries and Associate Companies of the Group do not have pension funds.

• **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' 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 valued by a qualified actuary annually. Funding would be done in consultation with the Actuary, Trustees and Beneficiaries.

Both the Pension Fund and the Widows' / Widowers' and Orphans' Pension Fund are approved by the Government and are independently administered.

• **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 1st 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 this Financial Statements for retirement gratuities from the first year of service for all employees who joined the Bank on or after 1st January 1996, as they are not covered by the pension scheme of the Bank.

In terms of Sri Lanka Accounting Standard - LKAS 19 on "Employee Benefits", The Bank and its Subsidiaries have calculated the post employment benefit obligations, based on the actuarial valuation method recommended in the Standard.

The Gratuity Liabilities are not externally funded.

### 4.7 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash outflows at a current pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage at time is recognized as finance cost.

### 4. 8 Financial Guarantees

In the ordinary course of business, the Group gives financial guarantees, consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognised in the Financial Statements (within 'Other Liabilities') at fair value, being the premium received. Subsequent to initial recognition, the Group's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortization recognised in the Income Statement, and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee.

Any increase in the liability relating to financial guarantees is recorded in the Income Statement under 'Impairment losses '. The premium received is recognised in the Income Statement under 'Fees and commission income' on a straight line basis over the life of the guarantee.

### 4.9 Recognition of Income and Expenditure

### 4.9.1 Interest

Interest income and expense are recognised in Income Statement using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest rate includes all fees paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

Interest income and expense presented in the Income Statement include:

- Interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis
- Interest on available-for-sale investment securities calculated on an effective interest basis

Interest income and expense on all trading assets and liabilities are considered to be incidental to the Group's trading operations and are presented together with all other changes in the fair value of trading assets and liabilities in net trading income.

Fair value changes on derivatives held for risk management purposes, and other financial assets and liabilities carried at fair value through profit or loss, are presented in net income from other financial instruments at fair value through profit or loss in the Statement of Comprehensive Income.

#### 4.9.2 Fees and Commission

The Group earns fee and commission income from a diverse range of services it provides to its customers.
Fee income can be divided into the following two categories:

**• Fee income earned from services that are provided over a certain period of time**
Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income and asset management, custody and other management and advisory fees.

Credit related fees are deferred and recognised as an adjustment to the EIR on the loan.

**• Fee income from providing transaction services**
Fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses, are recognised on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognised after fulfilling the corresponding criteria.

#### 4.9.3 Net Trading Income

Net trading income comprises gains and losses related to trading assets and liabilities, and changes in fair value, interest, dividends and foreign exchange differences.

#### 4.9.4 Net Income from Other Financial Instruments at Fair Value Through Profit or Loss

Net income from other financial instruments at fair value through profit or loss relates to non-trading derivatives held for risk management purposes that do not form part of qualifying hedge relationships and includes all realised and unrealised fair value changes, interest, dividends and foreign exchange differences.

#### 4.9.5 Dividends

Dividend income is recognised when the right to receive income is established.

#### 4.9.6 Rental Income

Rental income is recognised on an accrual basis.

#### 4.9.7 Other Income

Other income is recognised on an accrual basis.

#### 4.9.8 Lease Payments

Payments made under operating leases are recognised in the Income Statement on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

#### 4.9.9 Other Expenses

All other expenses have been recognised in the Financial Statements as they are incurred in the period to which they relate. All expenditure incurred in the operation of the business and in maintaining the capital assets in a state of efficiency has been charged to revenue in arriving at the Group's Profit for the year.

### 4.10 Income Tax Expense

#### 4.10.1 Current Tax and Deferred Tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in the Income Statement except to the extent that it relates to items recognised directly in equity or in Other Comprehensive Income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for the following temporary differences:

- The initial recognition of goodwill
- The initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit nor loss
- Differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities against current tax assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

#### 4.10.2 Value Added Tax (VAT) on Financial Services

The base for Value Added Tax computation is arrived by aggregating the accounting profit before income tax and emoluments of employees, which is adjusted for the depreciation computed on prescribed rates.

During the year, the Bank's total value addition was subjected to a 12% (12% in 2011) Value Added Tax as per Section 25 (a) of the Value Added Tax Act No.14 of 2002 and amendments thereto. And the Bank is following value attributable method to compute VAT on financial services which is one of two methods prescribed in the Act.

### 4.10.3 Withholding Tax on Dividends

**• Withholding Tax on dividends distributed by the Bank**

No Withholding Tax is paid by the Bank since Bank distributes dividend to its single share holder, the Government of Sri Lanka.

**• Withholding Tax on dividends distributed by the Subsidiaries and Associates**

Dividend distributed out of taxable profit of the Subsidiaries and Associate Companies attracts a 10% deduction at source and is not available for set off against the tax liability of the Bank, since it is treated as a final tax. Thus, the withholding tax deducted at source is added to the tax expense in preparing the Consolidated Financial Statements as a consolidation adjustment.

### 4.11 Stated Capital and Reserves

The Group classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. Accordingly they are presented as a component of equity.

### 4.12 Earnings Per Share

The Group presents Basic and Diluted Earnings Per Share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

### 4.13 Segment Reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relating to transactions with any of the Group's other components.

The Group comprises the following major business segments: Retail banking, Corporate banking, International treasury and investments, Government of Sri Lanka, other non banking and group functions. The Government of Sri Lanka is considered as a major customer of the Group and considered as a separate segment.

### 4.14 Events after the Reporting Period

Where necessary all material events after the reporting date have been considered and appropriate adjustments / disclosures have been made in the Financial Statements as per the Sri Lanka Accounting Standards –LKAS 10 Events after the Reporting Period.

### 5.1 Insurance Business

### 5.1.1 Reinsurance

The Group cedes insurance risk in the normal course of business for all of its businesses. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract.

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when there is an objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Group may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer. The impairment loss is recorded in the Income Statement.

The Group also assumes reinsurance risk in the normal course of business for life insurance and non-life insurance contracts where applicable. Premiums and claims on assumed reinsurance are recognised as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract.

Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

### 5.1.2 Insurance Receivables

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the Income Statement.

### 5.2 Deferred Expenses

### 5.2.1 Deferred Acquisition Costs (DAC)

The costs of acquiring new businesses including commission, underwriting, marketing and policy issue expenses, which vary with and directly related to production of new businesses and/or investment contracts with Discretionary Participation Features (DPF), are deferred to the extent that these costs are recoverable out of future premiums. All other acquisition costs are recognised as an expense when incurred. Subsequent to initial recognition, DAC for general insurance is amortised over the period on the basis Unearned Premium is amortised. The reinsurances' share of deferred acquisition cost is amortized in the same manner as the underlying assets amortization is recorded in the Income Statement

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the assets are accounted for by changing the amortization period and are treated as a change in an accounting estimate.

DAC are derecognized when the related contracts are either expired or cancelled.

### 5.3 Reinsurance Commissions

Commissions receivable on outwards reinsurance contracts are deferred and amortized.

### 5.4 Insurance Contract Liabilities

### 5.4.1 Life Insurance Contract Liabilities

Life insurance liabilities are recognised when contracts are entered into and premiums are received. These liabilities are measured by using the net premium method. The liability is determined as the sum of the discounted value of the expected future benefits, claims handling and policy administration expenses, policyholder options and guarantees and investment income from assets backing such liabilities, which are directly related to the contract, less the discounted value of the expected theoretical premiums that would be required to meet the future cash outflows based on the valuation assumptions used.

The liability is either based on current assumptions or calculated using the assumptions established at the time the contract was issued, in which case a margin for risk and adverse deviation is generally included. A separate reserve for longevity may be established and included in the measurement of the liability. Furthermore, the liability for life insurance contracts comprises the provision for unearned premiums and unexpired risks, as well as for claims outstanding, Which includes an estimate of the incurred claims that have not yet been reported to the Group. Adjustments to the liabilities at each reporting date are recorded in the Income Statement. Profits originated from margins of adverse deviations on run-off contracts are recognised in the Income Statement over the life of the contract, whereas losses are fully recognised in the Income Statement during the first year of run-off. The liability is derecognised when the contract expires, is discharged or is cancelled.

At each reporting date, an assessment is made of whether the recognised life insurance liabilities are adequate, net of related Present Value Interest Factor (PVIF) and DAC, by using an existing liability adequacy test. The liability value is adjusted to the extent that it is insufficient to meet future benefits and expenses. In performing the adequacy test, current best estimates of future contractual cash flows, including related cash flows such as claims handling and policy administration expenses, policyholder options and guarantees, as well as investment income from assets backing such liabilities, are used. A number of valuation methods are applied, including discounted cash flows, option pricing models and stochastic modeling. To the extent that the test involves discounting of cash flows, the interest rate applied may be based on management's prudent expectation of current market interest rates. Any inadequacy is recorded in the Income Statement, initially by impairing PVIF and DAC and, subsequently, by establishing a technical reserve for the remaining loss. In subsequent periods, the liability for a block of business that has failed the adequacy test is based on the assumptions that are established at the time of the loss recognition. The assumptions do not include a margin for adverse deviation.

### 5.4.2 Non-Life Insurance Contract Liabilities

Non-life insurance contract liabilities are recognised when contracts are entered into and premiums are charged. These liabilities are known as the outstanding claims provision, which are based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore the ultimate cost of these cannot be known with certainty at the reporting date. The liability is calculated at the reporting date using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation. The liability is not discounted for the time value of money. No provision for equalisation or catastrophe reserves is recognised. The liabilities are derecognised when the contract expires, is discharged or is cancelled.

The liabilities are derecognised when the contract expires, is discharged or is cancelled.

This calculation uses current estimates of future contractual cash flows after taking account of the investment return expected to arise on assets relating to the relevant non-life insurance technical provisions. If these estimates show that the carrying amount of the unearned premiums (less related deferred acquisition costs) is inadequate, the deficiency is recognised in the Income Statement by setting up a provision for liability adequacy.

The provision for unearned premiums represents premiums received for risks that have not yet expired. Generally the reserve is released over the term of the contract and is recognized as premium income.

At each reporting date the Group reviews its unexpired risk and a liability adequacy test is performed to determine whether there is any overall excess of expected claims and deferred acquisition costs over unearned premiums. This calculation uses current estimates of future contractual cash flows after taking account of the investment return expected to arise on assets relating to the relevant non-life insurance technical provisions. If these estimates show that the carrying amount of the unearned premiums (less related deferred acquisition costs) is inadequate, the deficiency is recognised in the Income Statement by setting up a provision for liability adequacy.

### 5.5 Investment Contract Liabilities

Investment contracts are classified between contracts with and without DPF. The accounting policies for investment contract liabilities with DPF are the same as those for life insurance contract liabilities.

Investment contract liabilities without DPF are recognised when contracts are entered into and premiums are charged. These liabilities are initially recognised at fair value this being the transaction price excluding any transaction costs directly attributable to the issue of the contract. Subsequent to initial recognition investment, contract liabilities are measured at fair value through profit or loss.

Deposits and withdrawals are recorded directly as an adjustment to the liability in the Statement of Financial Position. Fair value adjustments are performed at each reporting date and are recognised in the Income Statement. Fair value is determined through the use of prospective discounted cash flow techniques. For unitised contracts, fair value is calculated as the number of units allocated to the policyholder in each unit-linked fund multiplied by the unit-price of those funds at the reporting date. The fund assets and fund liabilities used to determine the unit-prices at the reporting date are valued on a basis consistent with their measurement basis in the Statement of Financial Position adjusted to take account of the effect on the liabilities of the deferred tax on unrealized gains on assets in the fund.

Non-unitised contracts are subsequently also carried at fair value, which is determined by using valuation techniques such as discounted cash flows and stochastic modeling. Models are validated, calibrated and periodically reviewed by an independent qualified person.

The liability is derecognised when the contract expires, is discharged or is cancelled. For a contract that can be cancelled by the policyholder, the fair value cannot be less than the surrender value.

When contracts contain both a financial risk component and a significant insurance risk component and the cash flows from the two components are distinct and can be measured reliably, the underlying amounts are unbundled. Any premiums relating to the insurance risk component are accounted for on the same bases as insurance.

### 5.6 Discretionary Participation Features (DPF)

A DPF is a contractual right that gives holders of these contracts the right to receive as a supplement to guaranteed benefits, significant additional benefits which are based on the performance of the assets held within the DPF portfolio. Under the terms of the contracts surpluses in the DPF funds can be distributed to policyholders and shareholders on a 90/10 basis. The Group has the discretion over the amount and timing of the distribution of these surpluses to policyholders. All DPF liabilities including unallocated surpluses, both guaranteed and discretionary, at annually are held within insurance or investment contract liabilities as appropriate.

### 5.7 Classification of Financial Instruments between Debt and Equity

A financial instrument is classified as debt if it has a contractual obligation to:

- Deliver cash or another financial asset to another entity; or

- Exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group.

If the Group does not have an unconditional right to avoid delivering cash or another financial asset to settle its Contractual obligation, the obligation meets the definition of a financial liability.

### 5.8 Other Financial Liabilities and Insurance Payables

Other financial liabilities are recognized when due and measured on initial recognition at the fair value of the consideration received less directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortized cost using the effective interest rate method.

### 5.9 De-recognition of Financial Liabilities and Insurance Payables

Financial liabilities and insurance payables are derecognised when the obligation under the liability is discharged, cancelled or expired.

### 5.10 Income Recognition

#### 5.10.1 Gross Premiums

Gross recurring premiums on life and investment contracts with DPF are recognised as revenue when receivable from the policyholder. For single premium business, revenue is recognised on the date on which the policy is effective.

Gross general insurance written premiums comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the accounting period and are recognised on the date on which the policy commences.

#### 5.10.2 Reinsurance Premiums

Gross reinsurance premiums on life and investment contracts are recognised as an expense when the date on which the policy is effective.

Gross general reinsurance premiums written comprise the total premiums payable for the whole cover provided by contracts entered into the period and are recognised on the date on which the policy incepts. Premiums include any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods.

Unearned reinsurance premiums are those proportions of premiums written in a year that relate to periods of risk after the balance sheet date. Unearned reinsurance premiums are deferred over the term of the underlying direct insurance policies for risks-attaching contracts and over the term of the reinsurance contract for losses occurring contracts.

### 5.11 Unearned Premium Reserve

Unearned premium reserve represents the portion of the premium written in the year but relating to the unexpired term of coverage. Unearned premiums are calculated on the 1/24th basis except for marine policies which is computed on a 60-40 basis.

### 5.12 Benefits, Claims and Expenses Recognition

#### 5.12.1 Gross Benefits and Claims

Gross benefits and claims for life insurance contracts and for investment contracts with DPF include the cost of all claims arising during the year including internal and external claims handling costs that are directly related to the processing and settlement of claims and policyholder bonuses declared on DPF contracts, as well as changes in the gross valuation of insurance and investment contract liabilities with DPF. Death claims and surrenders are recorded on the basis of notifications received. Maturities and annuity payments are recorded when due. Interim payments and surrenders are accounted at the time of settlement.

General insurance include all claims occurring during the year, whether reported or not, related internal and external claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years.

Claims expenses and liabilities for outstanding claims are recognised in respect of direct and inward reinsurance business. The liability covers claims reported but not yet paid, Incurred But Not Reported (IBNR) claims and the anticipated direct and indirect costs of settling those claims. Claims outstanding are assessed by review of individual claim files and estimating changes in the ultimate cost of settling claims. The provision in respect of IBNR is actuarially valued on an annual basis to ensure a more realistic estimation of the future liability based on past experience and trends.

While the Directors consider that the provision for claims is fairly stated on the basis of information currently available, the ultimate liability will vary as a result of subsequent information and events. This may result in adjustment to the amounts provided. Such amounts are reflected in the Financial Statements for that period. The methods used and the estimates made are reviewed regularly.

#### 5.12.2 Reinsurance Claims

Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract.

## 6. NEW ACCOUNTING STANDARDS ISSUED BUT NOT EFFECTIVE AS AT THE REPORTING DATE

Standards issued but not yet effective up to the date of issuance of the Consolidated Financial Statements are set out below. The Group will adopt these Standards when they become effective. Pending a detailed review, the financial impact is not reasonably estimable as at the date of publication of these Financial Statements.

**(i) SLFRS 9 – Financial Instruments: Classification and Measurement**

SLFRS 9, as issued reflects the first phase of work on replacement of LKAS 39 and applies to classification and measurement of financial assets and liabilities.

**(ii) SLFRS 10 – Consolidated Financial Statements**

SLFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by SLFRS 10 will require management to exercise significant judgment to determine which entities are controlled and therefore are required to be consolidated by a parent, compared with the requirements in LKAS 27.

**(iii) SLFRS 11 – Joint Arrangements**

SLFRS 11 replaces LKAS 31 and SIC 13. SLFRS 11 uses the principle of control in SLFRS 10 to define control, and accordingly the determination of whether joint control exists may change.

**(iv) SLFRS 12 – Disclosure of Interests in Other Entities**

SLFRS 12 encompasses all disclosures related to consolidated Financial Statements in LKAS 27, 28 and 31. These disclosures relate to an entity's interest in subsidiaries, joint arrangements, associates and structured entities.

**(v) SLFRS 13 – Fair Value Measurement**

SLFRS 13 establishes and provides a single source of guidance under SLFRS for all fair value measurements.

SLFRS 9 will be effective for financial periods beginning on or after 1st January 2015 whilst SLFRS 10, 11, 12 and 13 will be effective for financial periods beginning on or after 1st January 2014.

| For the year ended 31st December | Bank 2012 LKR '000 | Bank 2011 LKR '000 | Group 2012 LKR '000 | Group 2011 LKR '000 |
|---|---|---|---|---|
| **7. TOTAL INCOME** | | | | |
| Interest income [Note 8.1] | 95,021,794 | 61,222,410 | 98,751,348 | 64,208,696 |
| Fee and commission income [Note 9] | 7,320,001 | 6,676,092 | 7,531,297 | 6,939,856 |
| Net gain / (loss) from trading [Note 10] | 3,773,334 | 319,477 | 3,753,375 | 269,010 |
| Net gain / (loss) from financial investments [Note 11] | 366,407 | 347,748 | 368,206 | 353,480 |
| Other operating income [Note 12] | 3,656,383 | 1,891,252 | 5,122,935 | 3,085,611 |
| | 110,137,919 | 70,456,979 | 115,527,161 | 74,856,653 |
| **8. NET INTEREST INCOME** | | | | |
| **8.1 Interest income** | | | | |
| Reverse repurchased agreements | 762,813 | 1,904,946 | 799,326 | 1,906,840 |
| Placements with banks | 538,000 | 552,650 | 702,208 | 659,744 |
| Financial investments - Loans and receivable | 5,364,449 | 4,559,450 | 7,053,569 | 4,547,296 |
| Loans and advances to customers | 72,579,133 | 43,561,845 | 74,174,834 | 46,185,756 |
| Financial investments - Available for sale | 2,292,555 | 117,448 | 2,489,313 | 202,560 |
| Financial investments - Held for trading | 2,255,030 | 4,547,437 | 2,255,030 | 4,559,214 |
| Financial investments - Held to maturity | 11,229,814 | 5,978,634 | 11,277,068 | 6,147,286 |
| | 95,021,794 | 61,222,410 | 98,751,348 | 64,208,696 |

Interest income on loans and advances to customers includes interest on impaired loans LKR 245.2 million for the year 2012 (2011 : LKR 270.3 million).

| For the year ended 31st December | Bank 2012 LKR '000 | Bank 2011 LKR '000 | Group 2012 LKR '000 | Group 2011 LKR '000 |
|---|---|---|---|---|
| **8.2 Interest expense** | | | | |
| Due to banks | 571,152 | 18,313 | 572,341 | 19,092 |
| Due to customers | 38,177,117 | 24,842,545 | 38,851,465 | 25,388,989 |
| Other borrowings | 16,333,709 | 7,584,956 | 17,446,350 | 8,206,479 |
| Debt securities issued | 2,641,343 | 2,496,790 | 2,641,343 | 2,496,790 |
| Subordinated term debts | 1,977,554 | 1,273,297 | 1,977,554 | 1,273,297 |
| | 59,700,875 | 36,215,901 | 61,489,053 | 37,384,647 |
| Net interest income | 35,320,919 | 25,006,509 | 37,262,295 | 26,824,049 |

Net interest income earned from the secondary market transactions in treasury bills and treasury bonds has been grossed up by adding the notional tax credit to the interest income. More details are given in Note 17.4.

| For the year ended 31st December | Bank 2012 LKR '000 | Bank 2011 LKR '000 | Group 2012 LKR '000 | Group 2011 LKR '000 |
|---|---|---|---|---|
| **8.3 Net interest income from Sri Lanka Government securities** | | | | |
| Interest income | 15,936,042 | 10,794,890 | 15,984,060 | 10,830,709 |
| Less : Interest expense | 8,398,385 | 4,839,021 | 8,403,095 | 4,839,886 |
| | 7,537,657 | 5,955,869 | 7,580,965 | 5,990,823 |
| **9. NET FEE AND COMMISSION INCOME** | | | | |
| Fee and commission income | 7,320,001 | 6,676,092 | 7,531,297 | 6,939,856 |
| Less : Fee and commission expense | 654,195 | 542,911 | 761,209 | 609,243 |
| Net fee and commission income [Note 9.1] | 6,665,806 | 6,133,181 | 6,770,088 | 6,330,613 |
| **9.1 Fee and commission (Net)** | | | | |
| Trade & other related activities | 3,403,344 | 3,224,555 | 3,414,058 | 3,327,357 |
| Loans | 194,413 | 166,266 | 203,202 | 174,495 |
| Credit cards | 553,670 | 424,018 | 553,670 | 424,018 |
| Travel & remittances | 415,660 | 384,405 | 415,660 | 384,405 |
| Custodial services | 30,250 | 77,857 | 30,250 | 77,857 |
| Deposits | 934,376 | 821,972 | 934,486 | 824,875 |
| Guarantees | 959,928 | 884,914 | 960,034 | 885,015 |
| Others | 174,165 | 149,194 | 258,728 | 232,591 |
| | 6,665,806 | 6,133,181 | 6,770,088 | 6,330,613 |

| For the year ended 31st December | Bank 2012 LKR '000 | Bank 2011 LKR '000 | Group 2012 LKR '000 | Group 2011 LKR '000 |
|---|---|---|---|---|
| **10. NET GAIN / (LOSS) FROM TRADING** | | | | |
| Foreign exchange | 3,985,714 | 1,591,871 | 4,027,266 | 1,594,091 |
| Interest rates | | | | |
| Gain / (loss) on mark to market valuation on securities | (124,109) | (704,905) | (137,493) | (698,469) |
| Gain / (loss) on sale of securities | 258,310 | 428,766 | 258,310 | 428,766 |
| Equities | | | | |
| Gain / (loss) on mark to market valuation on securities | (511,112) | (1,401,575) | (546,373) | (1,567,831) |
| Gain / (loss) on sale of securities | 70,378 | 318,534 | 57,288 | 420,608 |
| Dividend income | 94,153 | 86,786 | 94,377 | 91,845 |
| | 3,773,334 | 319,477 | 3,753,375 | 269,010 |
| **11. NET GAIN / (LOSS) FROM FINANCIAL INVESTMENTS** | | | | |
| Financial investments - Available for sale | | | | |
| Government securities | 45,170 | - | 36,304 | 5,732 |
| Dividend income | 321,237 | 347,748 | 331,902 | 347,748 |
| | 366,407 | 347,748 | 368,206 | 353,480 |
| **12. OTHER OPERATING INCOME** | | | | |
| Dividend income | 324,799 | 278,091 | 18,095 | 6,291 |
| Gain / (loss) on revaluation on foreign exchange | 1,823,111 | 154,414 | 1,823,111 | 154,414 |
| Gain / (loss) on sale of property, plant & equipment | 99,415 | 28,616 | 96,041 | 60,048 |
| Recovery of loan written-off | 89,805 | 81,095 | 106,699 | 101,651 |
| Rental income | 99,346 | 96,626 | 168,989 | 201,744 |
| Service income | 772,165 | 629,073 | 1,082,978 | 908,272 |
| Profit from sale of gold | 36,991 | 181,691 | 36,991 | 181,691 |
| Miscellaneous income | 308,529 | 377,601 | 630,796 | 688,200 |
| Gross insurance premium | - | - | 1,057,013 | 719,255 |
| Net income from Islamic banking [Note 12.1] | 102,222 | 64,045 | 102,222 | 64,045 |
| | 3,656,383 | 1,891,252 | 5,122,935 | 3,085,611 |
| **12.1 Net income from Islamic banking** | | | | |
| Income from Islamic banking operations | 195,291 | 120,804 | 195,291 | 120,804 |
| Profit paid to investors | (93,069) | (56,759) | (93,069) | (56,759) |
| | 102,222 | 64,045 | 102,222 | 64,045 |
| **13. IMPAIRMENT (CHARGE) / REVERSAL FOR LOANS AND OTHER LOSSES** | | | | |
| **13.1 (Charge) / reversal on loans and advances** | | | | |
| Individual impairment | (1,791,297) | 910,628 | (1,795,380) | 895,641 |
| Collective impairment | (2,324,985) | 531,634 | (2,416,359) | 417,235 |
| | (4,116,282) | 1,442,262 | (4,211,739) | 1,312,876 |
| **13.2 Impairment (charge) / reversal on financial investments** | | | | |
| Investments in Subsidiaries | - | 817,130 | - | - |
| Financial investments - Available for sale | (1,788,000) | - | (1,794,143) | (3,132) |
| Investments in Associates | - | (1,670) | - | - |
| | (1,788,000) | 815,460 | (1,794,143) | (3,132) |
| Total impairment (charge) / reversal for loans and other losses | (5,904,282) | 2,257,722 | (6,005,882) | 1,309,744 |
| **14. PERSONNEL EXPENSES** | | | | |
| Staff emoluments | 8,588,225 | 7,008,265 | 9,450,828 | 7,769,671 |
| Contributions to defined benefit plans [Note 14.1] | 1,349,923 | 1,455,545 | 1,400,531 | 1,523,797 |
| Contributions to defined contribution plans [Note 14.2] | 794,893 | 656,443 | 871,675 | 758,609 |
| Other personnel expenses | 2,193,790 | 1,339,836 | 2,338,743 | 1,409,962 |
| | 12,926,831 | 10,460,089 | 14,061,777 | 11,462,039 |

| For the year ended 31st December | Bank 2012 LKR '000 | Bank 2011 LKR '000 | Group 2012 LKR '000 | Group 2011 LKR '000 |
|---|---|---|---|---|
| **14.1 Contributions to defined benefit plans** | | | | |
| **Employers' contribution to:** | | | | |
| Bank of Ceylon Pension Trust Fund [Note 44.1.1 (a)] | 1,205,681 | 1,232,900 | 1,205,681 | 1,232,900 |
| Bank of Ceylon Widows' / Widowers' and Orphans' Pension Fund [Note 44.2.1 (a)] | 92,803 | 183,073 | 92,803 | 183,073 |
| Provision for terminal gratuity [Note 44.3] | 51,439 | 39,572 | 102,047 | 107,824 |
| | 1,349,923 | 1,455,545 | 1,400,531 | 1,523,797 |
| **14.2 Contributions to defined contribution plans** | | | | |
| **Employers' contribution to:** | | | | |
| Employees' Provident Fund | 636,545 | 526,079 | 702,777 | 609,181 |
| Employees' Trust Fund | 158,348 | 130,364 | 168,898 | 149,428 |
| | 794,893 | 656,443 | 871,675 | 758,609 |
| **15. OTHER EXPENSES** | | | | |
| Directors' emoluments | 3,500 | 2,750 | 25,966 | 22,045 |
| Auditors' remuneration | | | | |
| Audit fee | 21,002 | 12,613 | 31,358 | 23,002 |
| Non Audit Service | - | - | 3,314 | 4,067 |
| Deposit insurance premium * | 640,357 | 501,322 | 646,560 | 503,017 |
| Professional & legal fees | 98,959 | 108,916 | 147,006 | 144,699 |
| Donation to approved charities | - | 5,500 | 374 | 6,430 |
| Depreciation of property, plant & equipment | 838,051 | 815,088 | 1,170,529 | 1,086,922 |
| Amortisation of intangible assets and leasehold properties | 122,465 | 97,875 | 132,792 | 102,943 |
| Fixed asset maintenance expenses | 2,498,353 | 2,144,714 | 2,144,348 | 1,873,877 |
| Reinsurance premium, claims and other benefits | - | - | 669,940 | 487,870 |
| Office administration and establishment expenses | 3,720,460 | 2,806,552 | 4,754,653 | 3,576,009 |
| | 7,943,147 | 6,495,330 | 9,726,840 | 7,830,881 |

* As per the Banking Act Direction No 5 of 2010, the Bank is required to make a payment of 0.1% or 0.125% of the eligible deposit liabilities depending on the Capital Adequacy Ratio (CAR) of the immediate proceeding audited financial statements, payable quarterly on " Deposit Insurance Scheme" with effect from 1st October 2010.

| For the year ended 31st December | Bank 2012 LKR '000 | Bank 2011 LKR '000 | Group 2012 LKR '000 | Group 2011 LKR '000 |
|---|---|---|---|---|
| **16. SHARE OF PROFIT / (LOSS) OF ASSOCIATE COMPANIES BEFORE TAX** | | | | |
| Ceybank Asset Management Company Limited | - | - | 42,003 | 47,897 |
| Lanka Securities (Private) Limited | - | - | (27,675) | 85,011 |
| Mireka Capital Land (Private) Limited | - | - | 7,407 | 66,293 |
| Southern Development Financial Company Limited | - | - | (147) | 1,087 |
| Transnational Lanka Records Solutions (Private) Limited | - | - | 16,997 | 8,428 |
| | - | - | 38,585 | 208,716 |
| **17. INCOME TAX EXPENSE** | | | | |
| **17.1 The components of income tax expense are as follows:** | | | | |
| Current tax expense | | | | |
| Income tax on profits for the year | 5,417,245 | 4,090,224 | 5,684,614 | 4,407,075 |
| Adjustments in respect of prior years | 91,074 | (491,331) | 97,136 | (355,849) |
| Deferred tax expense | | | | |
| Charge / (reversal) of deferred tax [Note 35] | (130,642) | 968,217 | (143,476) | 773,310 |
| | 5,377,677 | 4,567,110 | 5,638,274 | 4,824,536 |

| For the year ended 31st December | Bank 2012 LKR '000 | Bank 2011 LKR '000 | Group 2012 LKR '000 | Group 2011 LKR '000 |
|---|---|---|---|---|
| **17.2 Reconciliation of accounting profit and income tax expense** | | | | |
| Accounting profit before income tax | 19,794,298 | 16,484,715 | 20,246,268 | 16,491,346 |
| Less : Share of profits of Associates | - | - | (38,585) | (208,716) |
| | 19,794,298 | 16,484,715 | 20,207,683 | 16,282,630 |
| Add : Dividend income from group companies | - | - | 298,810 | 273,390 |
| | 19,794,298 | 16,484,715 | 20,506,493 | 16,556,020 |
| Add : Disallowable expense | 14,666,471 | 9,033,063 | 16,653,064 | 12,194,849 |
| | 34,460,769 | 25,517,778 | 37,159,557 | 28,750,869 |
| Less: Allowable expense | (8,076,768) | (8,078,655) | (9,703,508) | (10,364,000) |
| Less: Exempt income | (8,020,382) | (3,856,837) | (8,320,377) | (3,921,512) |
| Taxable income | 18,363,619 | 13,582,286 | 19,135,672 | 14,465,357 |
| Current tax at rate of 28% (2011 - 28%) | 5,141,813 | 3,803,040 | 5,356,698 | 4,027,630 |
| Effect of different tax rates in group | - | - | 5,514 | 21,625 |
| Effect of different tax rates in other countries | 275,432 | 287,184 | 275,432 | 287,184 |
| 10% withholding tax on inter company dividend | - | - | 29,881 | 27,339 |
| Share of tax on profits of Associates | - | - | 17,089 | 43,297 |
| Adjustment in respect of current income tax of prior years | 91,074 | (491,331) | 97,136 | (355,849) |
| Deferred tax charge / (reversal) [Note 35] | (130,642) | 968,217 | (143,476) | 773,310 |
| | 5,377,677 | 4,567,110 | 5,638,274 | 4,824,536 |
| The effective income tax rate | 27.2% | 27.7% | - | - |

**17.3 The tax liabilities of resident companies are computed at the standard rate of 28.0%, except following companies which enjoy full or partial exemptions and concessions**

| | 2012 | 2011 |
|---|---|---|
| 1 BOC Management & Support Services (Private) Limited | 12.0% | 12.0% |
| 2 BOC Property Development & Management (Private) Limited | 28.0% | 10.0% |
| 3 BOC Travels (Private) Limited | 12.0% | 15.0% |
| 4 Hotels Colombo (1963) Limited | 12.0% | 12.0% |
| 5 Ceybank Holiday Homes (Private) Limited | | |
| - Hotel business | 12.0% | 12.0% |
| - Other activities | 12.0% | 28.0% |
| 6 Bank of Ceylon (UK) Limited | 24.5% | 26.5% |
| 7 Koladeniya Hydropower (Private) Limited * | Nil | Nil |
| 8 Banking Operations in Male | 25.0% | 25.0% |
| 9 Banking Operations in Chennai | 40.0% | 40.0% |

(* In accordance with the agreement with Board of Investment (BOI), Koladeniya Hydropower (Private) Limited is exempted from taxation for years 2011 & 2012).

**17.4 Notional tax credit for withholding tax on Government securities on secondary market transactions**

In terms of the Section 137 of the Inland Revenue Act No. 10 of 2006 and the amendment thereto, a company which derives interest income from the secondary market transactions in Government securities would be entitled to a notional tax credit (being one ninth (1/9) of the net interest income), provided such interest income form a part of statutory income of the company for that year of assessment. Accordingly, the net income earned by the Bank and the Group on the secondary market transactions in Government securities for the year has been grossed up in the Financial Statements and the resulting notional tax credit amounted to sum of LKR 874.2 million (2011 : LKR 792.9 million) for the Bank and LKR 893.2 million (2011 : LKR 814.3 million) for the Group.

## 18. EARNINGS PER SHARE (EPS) AND DIVIDEND PER SHARE (DPS)

### 18.1 Basic earnings per share

In accordance with the Sri Lanka Accounting Standard - LKAS 33 "Earnings Per Share", Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the parent entity (the numerator) by the weighted average number of ordinary shares in issue (the denominator) during the year.

| | Bank | | Group | |
|---|---|---|---|---|
| **For the year ended 31st December** | **2012** | **2011** | **2012** | **2011** |
| Profit attributable to ordinary shareholders of the parent (LKR '000) | 14,416,621 | 11,917,605 | 14,580,264 | 11,592,078 |
| Weighted average number of ordinary shares in issue | 5,000,000 | 5,000,000 | 5,000,000 | 5,000,000 |
| Basic earnings per share (LKR) | 2,883.32 | 2,383.52 | 2,916.05 | 2,318.42 |

### 18.2 Diluted earnings per share

Diluted earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the parent entity (the numerator) by the weighted average number of ordinary shares in issue during the year after adjusting for effect of all diluted potential ordinary shares (the denominator).

| | Bank | | Group | |
|---|---|---|---|---|
| **For the year ended 31st December** | **2012** | **2011** | **2012** | **2011** |
| Profit attributable to ordinary shareholders of the parent (LKR '000) | 14,416,621 | 11,917,605 | 14,580,264 | 11,592,078 |
| Weighted average number of ordinary shares in issue during the year | 5,000,000 | 5,000,000 | 5,000,000 | 5,000,000 |
| Weighted average number of ordinary shares under option during the year | - | - | - | - |
| Weighted average number of ordinary shares after adjusting for dilution | 5,000,000 | 5,000,000 | 5,000,000 | 5,000,000 |
| Diluted earnings per share (LKR) | 2,883.32 | 2,383.52 | 2,916.05 | 2,318.42 |

### 18.3 Dividend per share

Dividend per share is calculated by dividing the total profit distributed to shareholders (the numerator) by the weighted average number of ordinary shares (the denominator) in issue during the year.

| | Bank | | Group | |
|---|---|---|---|---|
| **For the year ended 31st December** | **2012** | **2011** | **2012** | **2011** |
| Total profit distributed to shareholders during the year (LKR '000) | 5,346,410 | 3,846,410 | 5,346,410 | 3,846,410 |
| Weighted average number of ordinary shares in issue | 5,000,000 | 5,000,000 | 5,000,000 | 5,000,000 |
| Dividend per share (LKR) | 1,069.28 | 769.28 | 1,069.28 | 769.28 |

## 19. ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS

### 19.1 Bank

| As at 31st December 2012 | Held for trading LKR '000 | Held to maturity LKR '000 | Loans and receivable/ Amortised cost LKR '000 | Available for sale LKR '000 | Others LKR '000 | Total LKR '000 |
|---|---|---|---|---|---|---|
| **Financial assets** | | | | | | |
| Cash and short term funds | - | - | 31,544,558 | - | - | 31,544,558 |
| Balances with Central Banks | - | - | 29,963,240 | - | - | 29,963,240 |
| Placements with banks | - | - | 19,394,466 | - | - | 19,394,466 |
| Derivative financial instruments | 507,451 | - | - | - | - | 507,451 |
| Reverse repurchase agreements | - | - | 797,425 | - | - | 797,425 |
| Financial assets - Held for trading | 15,541,185 | - | - | - | - | 15,541,185 |
| Financial investments - Loans and receivable | - | - | 99,206,859 | - | - | 99,206,859 |
| Loans and advances to customers | - | - | 691,899,207 | - | - | 691,899,207 |
| Financial investments - Available for sale | - | - | - | 12,080,988 | - | 12,080,988 |
| Financial investments - Held to maturity | - | 110,956,202 | - | - | - | 110,956,202 |
| **Total financial assets** | 16,048,636 | 110,956,202 | 872,805,755 | 12,080,988 | - | 1,011,891,581 |
| **Non financial assets** | | | | | | |
| Investment in Subsidiary Companies | - | - | - | - | 6,792,848 | 6,792,848 |
| Investment in Associate Companies | - | - | - | - | 842,988 | 842,988 |
| Property, plant and equipment | - | - | - | - | 11,430,827 | 11,430,827 |
| Leasehold properties | - | - | - | - | 84,976 | 84,976 |
| Intangible assets | - | - | - | - | 376,002 | 376,002 |
| Other assets | - | - | - | - | 16,801,769 | 16,801,769 |
| **Total non financial assets** | - | - | - | - | 36,329,410 | 36,329,410 |
| **Total assets** | 16,048,636 | 110,956,202 | 872,805,755 | 12,080,988 | 36,329,410 | 1,048,220,991 |

| As at 31st December 2012 | Held for trading LKR '000 | Amortised cost LKR '000 | Others LKR '000 | Total LKR '000 |
|---|---|---|---|---|
| **Financial liabilities** | | | | |
| Due to banks | - | 10,127,983 | - | 10,127,983 |
| Derivative financial instruments | 74,314 | - | - | 74,314 |
| Due to customers | - | 693,440,642 | - | 693,440,642 |
| Other borrowings | - | 233,795,515 | - | 233,795,515 |
| Debt securities issued | - | 23,296,349 | - | 23,296,349 |
| Subordinated term debts | - | 23,818,024 | - | 23,818,024 |
| **Total financial liabilities** | 74,314 | 984,478,513 | - | 984,552,827 |
| **Non financial liabilities** | | | | |
| Current tax liabilities | - | - | 2,208,461 | 2,208,461 |
| Deferred tax liabilities | - | - | 351,279 | 351,279 |
| Other liabilities | - | - | 10,155,542 | 10,155,542 |
| **Total non financial liabilities** | - | - | 12,715,282 | 12,715,282 |
| **Total liabilities** | 74,314 | 984,478,513 | 12,715,282 | 997,268,109 |

## 19. ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS (Contd.)

### 19.1 Bank

| As at 31st December 2011 | Held for trading LKR '000 | Held to maturity LKR '000 | Loans and receivable/ Amortised cost LKR '000 | Available for sale LKR '000 | Others LKR '000 | Total LKR '000 |
|---|---|---|---|---|---|---|
| **Financial assets** | | | | | | |
| Cash and short term funds | - | - | 18,670,911 | - | - | 18,670,911 |
| Balances with Central Banks | - | - | 30,222,650 | - | - | 30,222,650 |
| Placements with banks | - | - | 14,580,998 | - | - | 14,580,998 |
| Derivative financial instruments | 63,211 | - | - | - | - | 63,211 |
| Reverse repurchase agreements | - | - | 1,094,934 | - | - | 1,094,934 |
| Financial assets - Held for trading | 40,296,813 | - | - | - | - | 40,296,813 |
| Financial investments - Loans and receivable | - | - | 89,739,284 | - | - | 89,739,284 |
| Loans and advances to customers | - | - | 543,148,965 | - | - | 543,148,965 |
| Financial investments - Available for sale | - | - | - | 12,864,301 | - | 12,864,301 |
| Financial investments - Held to maturity | - | 51,386,437 | - | - | - | 51,386,437 |
| **Total financial assets** | 40,360,024 | 51,386,437 | 697,457,742 | 12,864,301 | - | 802,068,504 |
| **Non financial assets** | | | | | | |
| Investment in Subsidiary Companies | - | - | - | - | 6,240,686 | 6,240,686 |
| Investment in Associate Companies | - | - | - | - | 842,988 | 842,988 |
| Property, plant and equipment | - | - | - | - | 10,518,926 | 10,518,926 |
| Leasehold properties | - | - | - | - | 76,270 | 76,270 |
| Intangible assets | - | - | - | - | 342,839 | 342,839 |
| Other assets | - | - | - | - | 18,182,827 | 18,182,827 |
| **Total non financial assets** | - | - | - | - | 36,204,536 | 36,204,536 |
| **Total assets** | 40,360,024 | 51,386,437 | 697,457,742 | 12,864,301 | 36,204,536 | 838,273,040 |

| As at 31st December 2011 | Held for trading LKR '000 | Amortised cost LKR '000 | Others LKR '000 | Total LKR '000 |
|---|---|---|---|---|
| **Financial liabilities** | | | | |
| Due to banks | - | 6,507,833 | - | 6,507,833 |
| Derivative financial instruments | 987,775 | - | - | 987,775 |
| Due to customers | - | 595,773,738 | - | 595,773,738 |
| Other borrowings | - | 138,388,932 | - | 138,388,932 |
| Debt securities issued | - | 25,236,518 | - | 25,236,518 |
| Subordinated term debts | - | 17,355,284 | - | 17,355,284 |
| **Total financial liabilities** | 987,775 | 783,262,305 | - | 784,250,080 |
| **Non financial liabilities** | | | | |
| Current tax liabilities | - | - | 1,139,464 | 1,139,464 |
| Deferred tax liabilities | - | - | 395,268 | 395,268 |
| Other liabilities | - | - | 11,134,423 | 11,134,423 |
| **Total non financial liabilities** | - | - | 12,669,155 | 12,669,155 |
| **Total liabilities** | 987,775 | 783,262,305 | 12,669,155 | 796,919,235 |

## 19. ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS (Contd.)

### 19.2 Group

| As at 31st December 2012 | Held for trading LKR '000 | Held to maturity LKR '000 | Loans and receivable/ Amortised cost LKR '000 | Available for sale LKR '000 | Others LKR '000 | Total LKR '000 |
|---|---|---|---|---|---|---|
| **Financial assets** | | | | | | |
| Cash and short term funds | - | - | 31,955,777 | - | - | 31,955,777 |
| Balances with Central Banks | - | - | 29,963,240 | - | - | 29,963,240 |
| Placements with banks | - | - | 25,577,197 | - | - | 25,577,197 |
| Derivative financial instruments | 507,451 | - | - | - | - | 507,451 |
| Reverse repurchase agreements | - | - | 1,423,796 | - | - | 1,423,796 |
| Financial assets - Held for trading | 16,028,758 | - | - | - | - | 16,028,758 |
| Financial investments - Loans and receivable | - | - | 99,182,351 | - | - | 99,182,351 |
| Loans and advances to customers | - | - | 709,933,498 | - | - | 709,933,498 |
| Financial investments - Available for sale | - | - | - | 14,361,925 | - | 14,361,925 |
| Financial investments - Held to maturity | - | 111,706,459 | - | - | - | 111,706,459 |
| **Total financial assets** | 16,536,209 | 111,706,459 | 898,035,859 | 14,361,925 | - | 1,040,640,452 |
| **Non financial assets** | | | | | | |
| Investment in Associate Companies | - | - | - | - | 1,268,995 | 1,268,995 |
| Investment properties | - | - | - | - | 147,047 | 147,047 |
| Property, plant and equipment | - | - | - | - | 18,437,863 | 18,437,863 |
| Leasehold properties | - | - | - | - | 124,724 | 124,724 |
| Intangible assets | - | - | - | - | 461,955 | 461,955 |
| Deferred tax assets | - | - | - | - | 73,042 | 73,042 |
| Other assets | - | - | - | - | 18,199,140 | 18,199,140 |
| **Total non financial assets** | - | - | - | - | 38,712,766 | 38,712,766 |
| **Total assets** | 16,536,209 | 111,706,459 | 898,035,859 | 14,361,925 | 38,712,766 | 1,079,353,218 |

| As at 31st December 2012 | Held for trading LKR '000 | Amortised cost LKR '000 | Others LKR '000 | Total LKR '000 |
|---|---|---|---|---|
| **Financial liabilities** | | | | |
| Due to banks | - | 10,329,510 | - | 10,329,510 |
| Derivative financial instruments | 74,314 | - | - | 74,314 |
| Due to customers | - | 700,168,802 | - | 700,168,802 |
| Other borrowings | - | 245,140,679 | - | 245,140,679 |
| Debt securities issued | - | 24,481,798 | - | 24,481,798 |
| Subordinated term debts | - | 23,801,505 | - | 23,801,505 |
| **Total financial liabilities** | 74,314 | 1,003,922,294 | - | 1,003,996,608 |
| **Non financial liabilities** | | | | |
| Current tax liabilities | - | - | 2,418,079 | 2,418,079 |
| Deferred tax liabilities | - | - | 1,699,612 | 1,699,612 |
| Insurance provision - life | - | - | 166,087 | 166,087 |
| Insurance provision - non life | - | - | 571,068 | 571,068 |
| Other liabilities | - | - | 11,859,101 | 11,859,101 |
| **Total non financial liabilities** | - | - | 16,713,947 | 16,713,947 |
| **Total liabilities** | 74,314 | 1,003,922,294 | 16,713,947 | 1,020,710,555 |

## 19. ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS (Contd.)

### 19.2 Group

| As at 31st December 2011 | Held for trading LKR '000 | Held to maturity LKR '000 | Loans and receivable/ Amortised cost LKR '000 | Available for sale LKR '000 | Others LKR '000 | Total LKR '000 |
|---|---|---|---|---|---|---|
| **Financial assets** | | | | | | |
| Cash and short term funds | - | - | 18,780,907 | - | - | 18,780,907 |
| Balances with Central Banks | - | - | 30,222,650 | - | - | 30,222,650 |
| Placements with banks | - | - | 18,885,470 | - | - | 18,885,470 |
| Derivative financial instruments | 63,211 | - | - | - | - | 63,211 |
| Reverse repurchase agreements | - | - | 1,630,165 | - | - | 1,630,165 |
| Financial assets - Held for trading | 40,752,353 | - | - | - | - | 40,752,353 |
| Financial investments - Loans and receivable | - | - | 89,636,684 | - | - | 89,636,684 |
| Loans and advances to customers | - | - | 558,254,483 | - | - | 558,254,483 |
| Financial investments - Available for sale | - | - | - | 15,903,141 | - | 15,903,141 |
| Financial investments - Held to maturity | - | 51,842,461 | - | - | - | 51,842,461 |
| **Total financial assets** | 40,815,564 | 51,842,461 | 717,410,359 | 15,903,141 | - | 825,971,525 |
| **Non financial assets** | | | | | | |
| Investment in Associate Companies | - | - | - | - | 1,282,678 | 1,282,678 |
| Investment properties | - | - | - | - | 165,875 | 165,875 |
| Property, plant and equipment | - | - | - | - | 17,480,943 | 17,480,943 |
| Leasehold properties | - | - | - | - | 117,376 | 117,376 |
| Intangible assets | - | - | - | - | 413,229 | 413,229 |
| Deferred tax assets | - | - | - | - | 76,300 | 76,300 |
| Other assets | - | - | - | - | 19,125,554 | 19,125,554 |
| **Total non financial assets** | - | - | - | - | 38,661,955 | 38,661,955 |
| **Total assets** | 40,815,564 | 51,842,461 | 717,410,359 | 15,903,141 | 38,661,955 | 864,633,480 |

| As at 31st December 2011 | Held for trading LKR '000 | Amortised cost LKR '000 | Others LKR '000 | Total LKR '000 |
|---|---|---|---|---|
| **Financial liabilities** | | | | |
| Due to banks | - | 8,357,333 | - | 8,357,333 |
| Derivative financial instruments | 987,775 | - | - | 987,775 |
| Due to customers | - | 603,406,426 | - | 603,406,426 |
| Other borrowings | - | 143,359,562 | - | 143,359,562 |
| Debt securities issued | - | 26,429,041 | - | 26,429,041 |
| Subordinated term debts | - | 17,343,828 | - | 17,343,828 |
| **Total financial liabilities** | 987,775 | 798,896,190 | - | 799,883,965 |
| **Non financial liabilities** | | | | |
| Current tax liabilities | - | - | 1,289,186 | 1,289,186 |
| Deferred tax liabilities | - | - | 1,759,690 | 1,759,690 |
| Insurance provision - life | - | - | 115,210 | 115,210 |
| Insurance provision - non life | - | - | 342,848 | 342,848 |
| Other liabilities | - | - | 12,402,274 | 12,402,274 |
| **Total non financial liabilities** | - | - | 15,909,208 | 15,909,208 |
| **Total liabilities** | 987,775 | 798,896,190 | 15,909,208 | 815,793,173 |

| As at 31st December | Bank 2012 LKR '000 | Bank 2011 LKR '000 | Group 2012 LKR '000 | Group 2011 LKR '000 |
|---|---|---|---|---|
| **20. CASH AND SHORT TERM FUNDS** | | | | |
| Coins, notes held in local currency | 17,630,606 | 10,961,702 | 17,738,329 | 10,997,644 |
| Coins, notes held in foreign currency | 1,114,086 | 882,005 | 1,115,256 | 906,220 |
| Balances with other banks | 12,799,866 | 6,827,204 | 13,102,192 | 6,877,043 |
| | 31,544,558 | 18,670,911 | 31,955,777 | 18,780,907 |
| **21. BALANCES WITH CENTRAL BANKS** | | | | |
| Central Bank of Sri Lanka [Note 21.1] | 27,011,531 | 27,710,603 | 27,011,531 | 27,710,603 |
| Reserve Bank of India [Note 21.2] | 76,843 | 89,792 | 76,843 | 89,792 |
| Maldives Monetary Authority [Note 21.3] | 2,874,866 | 2,422,255 | 2,874,866 | 2,422,255 |
| | 29,963,240 | 30,222,650 | 29,963,240 | 30,222,650 |

**21.1** 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 31st December 2012 was 8.0% (2011 : 8.0%) 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 Offshore Banking Division in Sri Lanka (2011 : Nil).

**21.2** Section 42 (1) of the Reserve Bank of India (RBI) Act of 1934, requires that the branch in Chennai to maintain a cash reserve of 6.0% (2011 : 6.0%) with the Reserve Bank of India, being the minimum cash reserve requirement, as at 31st December 2012 on its demand and term deposit liabilities.

**21.3** In accordance with the prevailing regulations of Maldives Monetary Authority (MMA), the branch is required to maintain a reserve deposit based on 25% of the branch's commercial deposits and liabilities to the public in Maldives in Maldivian Rufiyaa and United States Dollars separately. (2011 : 25%)

| As at 31st December | Bank 2012 LKR '000 | Bank 2011 LKR '000 | Group 2012 LKR '000 | Group 2011 LKR '000 |
|---|---|---|---|---|
| **22. PLACEMENTS WITH BANKS** | | | | |
| Banks in Sri Lanka | | | | |
| - Local currency | - | - | 485,586 | 238,660 |
| - Foreign currency | 891,288 | 1,708,989 | 891,288 | 1,708,989 |
| Banks abroad | | | | |
| - Foreign currency | 18,503,178 | 12,872,009 | 24,200,323 | 16,937,821 |
| | 19,394,466 | 14,580,998 | 25,577,197 | 18,885,470 |
| **23. DERIVATIVE FINANCIAL INSTRUMENTS** | | | | |
| Forward exchange contracts | 507,451 | 63,211 | 507,451 | 63,211 |
| | 507,451 | 63,211 | 507,451 | 63,211 |
| **24. FINANCIAL ASSETS - HELD FOR TRADING** | | | | |
| Treasury bills | 4,965,858 | 23,460,243 | 4,965,858 | 23,460,243 |
| Treasury bonds | 8,619,512 | 10,655,173 | 8,619,512 | 10,655,173 |
| Sri Lanka soverign bonds | - | 2,607,497 | - | 2,607,497 |
| Other debt securities | - | - | 74,780 | 579 |
| Quoted equities [Note 24.1] | 1,955,815 | 3,573,900 | 2,368,608 | 4,028,861 |
| | 15,541,185 | 40,296,813 | 16,028,758 | 40,752,353 |

The Bank has pledged treasury bills and treasury bonds - Held for trading of LKR 1,935.0 million as collateral as at 31st December 2012 (2011 : LKR 10,694.5 million).

## 24. FINANCIAL ASSETS - HELD FOR TRADING (Contd.)

### 24.1 Quoted investments

| | Bank | | | | | |
|---|---|---|---|---|---|---|
| | 2012 | | | 2011 | | |
| | No. of ordinary shares | Market price per share LKR | Market value LKR '000 | No. of ordinary shares | Market price per share LKR | Market value LKR '000 |
| **Bank, Finance & Insurance** | | | | | | |
| Central Finance Company PLC | - | - | - | 138,683 | 203.00 | 28,153 |
| Chilaw Finance PLC | 784,085 | 14.40 | 11,291 | 987,800 | 22.40 | 22,127 |
| Commercial Bank of Ceylon PLC - voting | - | - | - | 1,802,934 | 100.00 | 180,293 |
| Commercial Bank of Ceylon PLC - non voting | - | - | - | 42,998 | 74.50 | 3,203 |
| DFCC Bank | - | - | - | 1,055,000 | 112.90 | 119,110 |
| Hatton National Bank PLC - voting | 84,425 | 148.00 | 12,495 | 1,202,850 | 151.30 | 181,991 |
| Hatton National Bank PLC - non voting | - | - | - | 1,187,550 | 83.20 | 98,804 |
| HNB Assurance PLC | - | - | - | 410,200 | 56.90 | 23,340 |
| Lanka Orix Finance PLC | - | - | - | 20,000 | 8.10 | 162 |
| Lanka Orix Leasing Company PLC | - | - | - | 1,083,900 | 83.30 | 90,289 |
| Lanka Ventures PLC | - | - | - | 46,300 | 38.20 | 1,769 |
| LB Finance PLC | - | - | - | 24,800 | 138.60 | 3,437 |
| Nations Trust Bank PLC | - | - | - | 285,600 | 57.00 | 16,279 |
| Pan Asia Banking Corporation PLC | - | - | - | 1,300,000 | 25.40 | 33,020 |
| People's Finance PLC | - | - | - | 200 | 35.70 | 7 |
| Sampath Bank PLC | - | - | - | 542,151 | 195.00 | 105,719 |
| SMB Leasing PLC | - | - | - | 500,000 | 1.90 | 950 |
| Softlogic Capital PLC | - | - | - | 96,000 | 34.80 | 3,341 |
| Softlogic Finance PLC | 102,201 | 24.90 | 2,545 | 153,600 | 44.90 | 6,897 |
| The Finance Company PLC | - | - | - | 100,000 | 40.50 | 4,050 |
| Vallibel Finance PLC | - | - | - | 345,100 | 43.30 | 14,943 |
| | | | 26,331 | | | 937,884 |
| **Beverage, Food & Tobacco** | | | | | | |
| Bairaha Farms PLC | 34,900 | 157.30 | 5,490 | 34,900 | 210.30 | 7,339 |
| Cargills (Ceylon) PLC | 809,600 | 145.50 | 117,797 | 809,600 | 203.00 | 164,349 |
| Distilleries Company of Sri Lanka PLC | 306,900 | 166.00 | 50,945 | 306,900 | 147.10 | 45,145 |
| HVA Foods PLC | 20,000 | 13.40 | 268 | 20,000 | 38.70 | 774 |
| Lanka Milk Foods (CWE) PLC | 716,600 | 100.00 | 71,660 | 716,600 | 107.10 | 76,748 |
| The Lion Brewery Ceylon PLC | - | - | - | 289,900 | 190.00 | 55,081 |
| | | | 246,160 | | | 349,436 |
| **Chemicals & Pharmaceuticals** | | | | | | |
| Chemanex PLC | 100,000 | 75.00 | 7,500 | 100,000 | 120.00 | 12,000 |
| CIC Holdings PLC - voting | 600,100 | 64.30 | 38,586 | 600,100 | 111.50 | 66,911 |
| CIC Holdings PLC - non voting | 141,400 | 55.20 | 7,805 | 141,400 | 77.00 | 10,888 |
| Haycarb PLC | 176,100 | 171.10 | 30,131 | 176,100 | 155.00 | 27,296 |
| Lankem Ceylon PLC | 51,900 | 165.00 | 8,563 | 51,900 | 260.00 | 13,494 |
| | | | 92,585 | | | 130,589 |
| **Constructions & Engineering** | | | | | | |
| Colombo Dockyard PLC | 413,700 | 224.00 | 92,669 | 394,000 | 238.80 | 94,087 |
| MTD Walkers PLC | 537,600 | 26.60 | 14,300 | 537,600 | 38.40 | 20,644 |
| | | | 106,969 | | | 114,731 |

**24. FINANCIAL ASSETS - HELD FOR TRADING (Contd.)**

**24.1 Quoted investments (Contd.)**

| | Bank | | | | | |
|---|---|---|---|---|---|---|
| | 2012 | | | 2011 | | |
| | No. of ordinary shares | Market price per share LKR | Market value LKR '000 | No. of ordinary shares | Market price per share LKR | Market value LKR '000 |
| **Diversified Holdings** | | | | | | |
| Aitken Spence PLC | 1,522,400 | 120.00 | 182,688 | 1,522,400 | 120.40 | 183,297 |
| Browns Investments PLC | 2,648,134 | 3.90 | 10,328 | - | - | - |
| Carsons Cumberbatch PLC | 49,500 | 438.60 | 21,711 | 24,500 | 541.20 | 13,259 |
| CT Holdings PLC | 174,927 | 124.00 | 21,691 | 174,927 | 179.00 | 31,312 |
| FLC Holdings PLC | 200,000 | 2.40 | 480 | 200,000 | 3.10 | 620 |
| Hemas Holdings PLC | 229,600 | 27.00 | 6,199 | 229,600 | 33.00 | 7,577 |
| John Keells Holdings PLC | 65,100 | 219.90 | 14,315 | 160,100 | 170.20 | 27,249 |
| Richard Pieris and Company PLC | 4,832,300 | 7.80 | 37,692 | 4,832,300 | 9.00 | 43,491 |
| Softlogic Holdings PLC | 545,300 | 10.90 | 5,944 | 545,300 | 18.00 | 9,815 |
| Sunshine Holdings PLC | 626,800 | 28.00 | 17,550 | 626,800 | 29.00 | 18,177 |
| The Colombo Fort Land & Building PLC | 149,500 | 34.60 | 5,173 | 101,100 | 49.00 | 4,954 |
| Vallibel One PLC | 1,265,400 | 18.10 | 22,904 | 1,265,400 | 23.80 | 30,117 |
| | | | 346,675 | | | 369,868 |
| **Footware & Textile** | | | | | | |
| Odel PLC | 197,400 | 20.10 | 3,968 | 197,400 | 32.30 | 6,376 |
| | | | 3,968 | | | 6,376 |
| **Health Care** | | | | | | |
| Asiri Surgical Hospital PLC | 179,200 | 9.30 | 1,667 | 179,200 | 7.90 | 1,416 |
| Ceylon Hospitals PLC (Durdans) | - | - | - | 6 | 85.00 | 1 |
| Nawaloka Hospitals PLC | 130,700 | 3.00 | 392 | 130,700 | 3.90 | 510 |
| The Lanka Hospitals Corporation PLC | 2,500 | 39.20 | 98 | 2,500 | 52.10 | 130 |
| | | | 2,157 | | | 2,057 |
| **Hotels & Travels** | | | | | | |
| Aitken Spence Hotel Holdings PLC | 1,625,600 | 73.10 | 118,831 | 1,625,600 | 69.50 | 112,979 |
| Amaya Leisure PLC | 102,000 | 84.00 | 8,568 | 102,000 | 81.50 | 8,313 |
| Asian Hotels & Properties PLC | 2,232,400 | 75.90 | 169,439 | 2,232,400 | 76.40 | 170,555 |
| Citrus Leisure PLC | 100,000 | 26.00 | 2,600 | 100,000 | 50.10 | 5,010 |
| Eden Hotel Lanka PLC | 609,600 | 36.00 | 21,946 | 609,600 | 38.00 | 23,165 |
| Marawila Resorts PLC | 50,000 | 7.30 | 365 | 50,000 | 10.10 | 505 |
| Taj Lanka Hotels PLC | 447,400 | 30.00 | 13,422 | 447,400 | 39.00 | 17,449 |
| Tangerine Beach Hotels PLC | 50,000 | 80.40 | 4,020 | 50,000 | 81.00 | 4,050 |
| The Fortress Resorts PLC | 1,461,100 | 16.30 | 23,816 | 1,461,100 | 23.00 | 33,605 |
| The Lighthouse Hotel PLC | 100,000 | 53.10 | 5,310 | 100,000 | 53.50 | 5,350 |
| Trans Asia Hotels PLC | 477,200 | 74.00 | 35,313 | 477,200 | 79.50 | 37,937 |
| | | | 403,630 | | | 418,918 |
| **Investment Trusts** | | | | | | |
| Ascot Holdings PLC | - | - | - | 28,000 | 160.20 | 4,486 |
| Ceylon Guardian Investment Trust PLC | 66,700 | 184.00 | 12,273 | 66,700 | 255.00 | 17,009 |
| Ceylon Investment PLC | 442,000 | 84.50 | 37,349 | 442,000 | 110.00 | 48,620 |
| Environmental Resources Investments PLC | 385,000 | 14.90 | 5,736 | 240,000 | 40.10 | 9,624 |
| Renuka Holdings PLC | 76,723 | 36.10 | 2,770 | 76,723 | 53.90 | 4,135 |
| | | | 58,128 | | | 83,874 |

## 24. FINANCIAL ASSETS - HELD FOR TRADING (Contd.)

### 24.1 Quoted investments (Contd.)

| | Bank | | | | | |
|---|---|---|---|---|---|---|
| | 2012 | | | 2011 | | |
| | No. of ordinary shares | Market price per share LKR | Market value LKR '000 | No. of ordinary shares | Market price per share LKR | Market value LKR '000 |
| **Land & Property** | | | | | | |
| East West Properties PLC | 150,000 | 14.60 | 2,190 | - | - | - |
| Overseas Realty (Ceylon) PLC | 300,000 | 14.40 | 4,320 | 300,000 | 14.00 | 4,200 |
| | | | 6,510 | | | 4,200 |
| **Manufacturing** | | | | | | |
| Abans Electricals PLC | 14,900 | 97.10 | 1,447 | 14,900 | 190.10 | 2,832 |
| ACL Cables PLC | 15,000 | 67.40 | 1,011 | 15,000 | 74.00 | 1,110 |
| ACME Printing & Packaging PLC | 1,078,700 | 15.00 | 16,180 | 276,500 | 20.70 | 5,724 |
| Ceylon Grain Elevators PLC | 71,800 | 59.50 | 4,272 | 71,800 | 105.50 | 7,575 |
| Chevron Lubricants Lanka PLC | - | - | - | 1,272,200 | 170.00 | 216,274 |
| Dipped Products PLC | 792,400 | 110.00 | 87,164 | 1,292,400 | 106.50 | 137,641 |
| Hayleys Fibre PLC | 145,300 | 28.00 | 4,068 | 145,300 | 36.00 | 5,231 |
| Kelani Tyres PLC | 582,500 | 33.60 | 19,572 | 582,500 | 38.50 | 22,426 |
| Lanka Cement PLC | 9,583,809 | 9.50 | 91,046 | 9,583,809 | 19.80 | 189,759 |
| Lanka Ceramic PLC | 33,500 | 62.00 | 2,077 | 33,500 | 85.00 | 2,848 |
| Lanka Floortiles PLC | 973,200 | 65.00 | 63,258 | 973,200 | 80.30 | 78,148 |
| Lanka Walltiles PLC | 160,040 | 60.80 | 9,730 | 160,040 | 94.50 | 15,124 |
| Orient Garments PLC | 348,900 | 13.40 | 4,675 | 348,900 | 31.10 | 10,851 |
| Piramal Glass Ceylon PLC | 2,288,600 | 6.00 | 13,732 | 2,288,600 | 7.90 | 18,080 |
| Richard Pieris Exports PLC | 10,000 | 33.50 | 335 | 10,000 | 27.50 | 275 |
| Royal Ceramics Lanka PLC | 289,000 | 99.00 | 28,611 | 259,000 | 141.50 | 36,649 |
| Sierra Cables PLC | 2,400 | 2.40 | 6 | 2,400 | 4.20 | 10 |
| Textured Jersey Lanka PLC | 893,600 | 8.90 | 7,953 | 893,600 | 10.20 | 9,115 |
| Tokyo Cement Company (Lanka) PLC - voting | 121,275 | 28.60 | 3,468 | 121,275 | 44.00 | 5,336 |
| Tokyo Cement Company (Lanka) PLC - non voting | 792,200 | 19.30 | 15,289 | 652,200 | 30.50 | 19,892 |
| | | | 373,894 | | | 784,900 |
| **Motors** | | | | | | |
| Colonial Motors PLC | 35,600 | 146.10 | 5,201 | 35,600 | 400.60 | 14,261 |
| Diesel & Motor Engineering PLC | 36,356 | 601.80 | 21,879 | 36,356 | 1,302.10 | 47,339 |
| Sathosa Motors PLC | 16,000 | 222.30 | 3,557 | 16,000 | 260.00 | 4,160 |
| United Motors Lanka PLC | 119,700 | 100.80 | 12,066 | 28,900 | 146.00 | 4,219 |
| | | | 42,703 | | | 69,979 |
| **Oil Palms** | | | | | | |
| The Bukit Darah PLC | 6,000 | 697.00 | 4,182 | 6,000 | 1,030.00 | 6,180 |
| | | | 4,182 | | | 6,180 |
| **Plantations** | | | | | | |
| Agalawatte Plantations PLC | 45,600 | 32.70 | 1,491 | 45,600 | 49.80 | 2,271 |
| Balangoda Plantations PLC | 30,000 | 39.60 | 1,188 | 30,000 | 28.80 | 864 |
| Elpitiya Plantations PLC | 700 | 18.50 | 13 | 700 | 24.00 | 17 |
| Horana Plantations PLC | 513,000 | 24.50 | 12,569 | 513,000 | 37.80 | 19,391 |
| Kahawatte Plantations PLC | 931,500 | 33.10 | 30,833 | 931,500 | 29.50 | 27,479 |
| Kegalle Plantations PLC | 50,600 | 104.00 | 5,262 | 50,600 | 105.00 | 5,313 |
| Kotagala Plantations PLC | 64,500 | 74.00 | 4,773 | 64,500 | 64.30 | 4,147 |
| Namunukula Plantations PLC | 80,000 | 78.80 | 6,304 | 80,000 | 65.00 | 5,200 |
| Watawala Plantations PLC | 350,100 | 11.90 | 4,166 | 350,100 | 14.20 | 4,971 |
| | | | 66,599 | | | 69,653 |

**24. FINANCIAL ASSETS - HELD FOR TRADING (Contd.)**

**24.1 Quoted investments (Contd.)**

| | Bank | | | | | |
|---|---|---|---|---|---|---|
| | 2012 | | | 2011 | | |
| | No. of ordinary shares | Market price per share LKR | Market value LKR '000 | No. of ordinary shares | Market price per share LKR | Market value LKR '000 |
| **Power & Energy** | | | | | | |
| FLC Hydro Power PLC | 223,194 | 6.70 | 1,495 | - | - | - |
| Hemas Power PLC | 1,117,700 | 21.90 | 24,478 | 1,117,700 | 26.70 | 29,843 |
| Lanka IOC PLC | 233,300 | 19.50 | 4,549 | 233,300 | 18.50 | 4,316 |
| Laugfs Gas PLC - voting | 11,400 | 25.60 | 292 | 1,400 | 38.00 | 53 |
| Laugfs Gas PLC - non voting | 3,212,400 | 18.30 | 58,787 | 3,212,400 | 23.00 | 73,885 |
| Panasian Power PLC | 1,029,200 | 2.50 | 2,573 | 1,029,200 | 4.30 | 4,426 |
| Vallibel Power Erathna PLC | 850,000 | 6.50 | 5,525 | 850,000 | 8.00 | 6,800 |
| | | | 97,699 | | | 119,323 |
| **Stores & Supplies** | | | | | | |
| Hunters & Company PLC | 27,100 | 339.90 | 9,211 | 27,100 | 590.00 | 15,989 |
| | | | 9,211 | | | 15,989 |
| **Telecommunications** | | | | | | |
| Dialog Axiata PLC | 3,638,780 | 8.30 | 30,202 | 3,503,300 | 7.80 | 27,326 |
| Sri Lanka Telecom PLC | 214,000 | 44.50 | 9,523 | 214,000 | 48.00 | 10,272 |
| | | | 39,725 | | | 37,598 |
| **Trading** | | | | | | |
| Brown & Company PLC | 189,700 | 124.10 | 23,542 | 189,700 | 234.80 | 44,542 |
| Ceylon & Foreign Trades PLC | 830,100 | 6.20 | 5,147 | 830,100 | 9.40 | 7,803 |
| | | | 28,689 | | | 52,345 |
| Total quoted investments | | | 1,955,815 | | | 3,573,900 |

## 24. FINANCIAL ASSETS - HELD FOR TRADING (Contd.)

### 24.1 Quoted investments (Contd.)

| | Group | | | | | |
|---|---|---|---|---|---|---|
| | 2012 | | | 2011 | | |
| | No. of ordinary shares | Market price per share LKR | Market value LKR '000 | No. of ordinary shares | Market price per share LKR | Market value LKR '000 |
| **Bank, Finance & Insurance** | | | | | | |
| Amana Takaful PLC | - | - | - | 36,900 | 2.40 | 89 |
| Asia Asset Finance PLC | 200,000 | 2.90 | 580 | - | - | - |
| Asia Capital PLC | 4,200 | 30.30 | 127 | 1,100 | 64.40 | 71 |
| Asian Alliance Insurance PLC | 19,800 | 89.00 | 1,762 | - | - | - |
| Central Finance Company PLC | - | - | - | 138,683 | 203.00 | 28,153 |
| Chilaw Finance PLC | 788,585 | 14.40 | 11,356 | 991,100 | 22.40 | 22,201 |
| Commercial Bank of Ceylon PLC - voting | 62,070 | 103.00 | 6,393 | 1,817,534 | 100.00 | 181,753 |
| Commercial Bank of Ceylon PLC - non voting | - | - | - | 174,524 | 74.50 | 13,002 |
| DFCC Bank | 80,000 | 112.90 | 9,032 | 1,155,900 | 112.90 | 130,501 |
| First Capital Holdings PLC | - | - | - | 27,800 | 16.10 | 448 |
| Hatton National Bank PLC - voting | 84,425 | 148.00 | 12,495 | 1,202,850 | 151.30 | 181,991 |
| Hatton National Bank PLC - non voting | 116,648 | 112.50 | 13,123 | 1,313,700 | 83.20 | 109,300 |
| HNB Assurance PLC | 22,937 | 49.00 | 1,124 | 432,666 | 56.90 | 24,619 |
| Janashakshi Insurance Company PLC | 600,803 | 10.50 | 6,308 | 518,800 | 15.00 | 7,782 |
| Lanka Orix Finance PLC | - | - | - | 20,000 | 8.10 | 162 |
| Lanka Orix Leasing Company PLC | 75,000 | 53.80 | 4,035 | 1,158,900 | 83.30 | 96,536 |
| Lanka Ventures PLC | 631,800 | 32.00 | 20,218 | 686,700 | 38.20 | 26,232 |
| LB Finance PLC | - | - | - | 24,800 | 138.60 | 3,437 |
| Nanda Investments and Finance PLC | 27,500 | 7.10 | 195 | 27,500 | 12.30 | 338 |
| National Development Bank PLC | 258,700 | 137.90 | 35,675 | 150,100 | 138.10 | 20,729 |
| Nations Trust Bank PLC | 113,940 | 56.00 | 6,381 | 347,000 | 57.00 | 19,779 |
| Pan Asia Banking Corporation PLC | 5,066 | 19.00 | 96 | 1,300,066 | 25.40 | 33,022 |
| People's Finance PLC | 232,579 | 34.50 | 8,024 | 200 | 35.70 | 7 |
| People's Leasing & Finance PLC | 199,300 | 13.20 | 2,631 | 235,000 | 16.00 | 3,760 |
| People's Merchant PLC | - | - | - | 42,500 | 15.70 | 667 |
| Sampath Bank PLC | 26,000 | 200.50 | 5,213 | 557,151 | 195.00 | 108,644 |
| Seylan Bank PLC - voting | 208,966 | 56.00 | 11,702 | 292,566 | 67.60 | 19,777 |
| Seylan Bank PLC - non voting | 10,000 | 35.10 | 351 | 92,500 | 30.80 | 2,849 |
| Singer Finance (Lanka) PLC | - | - | - | 700 | 27.00 | 19 |
| SMB Leasing PLC | 2,040,998 | 1.00 | 2,041 | 500,000 | 1.90 | 950 |
| SMB Leasing PLC - Share Warrants (015) | - | - | - | 1,897,600 | 0.70 | 1,328 |
| SMB Leasing PLC - Share Warrants (016) | - | - | - | 1,340,000 | 0.70 | 938 |
| Softlogic Capital PLC | - | - | - | 96,000 | 34.80 | 3,341 |
| Softlogic Finance PLC | 102,201 | 24.90 | 2,545 | 153,600 | 44.90 | 6,897 |
| Swarnamahal Financial Services PLC | 25,831 | 3.10 | 80 | - | - | - |
| The Finance Company PLC | - | - | - | 100,000 | 40.50 | 4,050 |
| Union Assurance PLC | 180 | 83.00 | 15 | - | - | - |
| Union Bank of Colombo PLC | 215,240 | 13.80 | 2,970 | 149,500 | 19.00 | 2,841 |
| Vallibel Finance PLC | - | - | - | 345,100 | 43.30 | 14,943 |
| | | | 164,472 | | | 1,071,156 |
| **Beverage, Food & Tobacco** | | | | | | |
| Bairaha Farms PLC | 57,572 | 157.30 | 9,056 | 59,100 | 210.30 | 12,429 |
| Cargills (Ceylon) PLC | 809,600 | 145.50 | 117,797 | 809,600 | 203.00 | 164,349 |
| Distilleries Company of Sri Lanka PLC | 387,900 | 166.00 | 64,391 | 387,900 | 147.10 | 57,060 |
| HVA Foods PLC | 20,000 | 13.40 | 268 | 20,000 | 38.70 | 774 |
| Lanka Milk Foods (CWE) PLC | 716,600 | 100.00 | 71,660 | 716,600 | 107.10 | 76,748 |
| Raigam Wayamba Saltern PLC | 1,392,000 | 2.50 | 3,480 | - | - | - |
| Renuka Shaw Wallace PLC | - | - | - | 3,500 | 53.70 | 188 |
| The Lion Brewery Ceylon PLC | - | - | - | 407,200 | 190.00 | 77,368 |
| Three Acre Farms PLC | 3,293 | 53.70 | 177 | 7,200 | 103.80 | 747 |
| | | | 266,829 | | | 389,663 |

**24. FINANCIAL ASSETS - HELD FOR TRADING (Contd.)**

**24.1 Quoted investments (Contd.)**

| | Group | | | | | |
|---|---|---|---|---|---|---|
| | 2012 | | | 2011 | | |
| | No. of ordinary shares | Market price per share LKR | Market value LKR '000 | No. of ordinary shares | Market price per share LKR | Market value LKR '000 |
| **Chemicals & Pharmaceuticals** | | | | | | |
| Chemanex PLC | 101,000 | 75.00 | 7,575 | 101,000 | 120.00 | 12,120 |
| CIC Holdings PLC - voting | 623,107 | 64.30 | 40,065 | 600,100 | 111.50 | 66,911 |
| CIC Holdings PLC - non voting | 151,400 | 55.20 | 8,357 | 151,400 | 77.00 | 11,658 |
| Haycarb PLC | 206,300 | 171.10 | 35,298 | 206,300 | 155.00 | 31,977 |
| Lankem Ceylon PLC | 51,900 | 165.00 | 8,564 | 51,900 | 260.00 | 13,494 |
| Muller Phipps Ceylon PLC | 752,903 | 1.80 | 1,355 | - | - | - |
| | | | 101,214 | | | 136,160 |
| **Constructions & Engineering** | | | | | | |
| Access Engineering PLC | 25,000 | 18.00 | 450 | - | - | - |
| Colombo Dockyard PLC | 426,505 | 224.00 | 95,537 | 400,100 | 238.80 | 95,544 |
| Lankem Developments PLC | 174,121 | 7.60 | 1,323 | 5,500 | 16.40 | 90 |
| MTD Walkers PLC | 537,600 | 26.60 | 14,300 | 537,600 | 38.40 | 20,644 |
| | | | 111,610 | | | 116,278 |
| **Diversified Holdings** | | | | | | |
| Aitken Spence PLC | 1,522,400 | 120.00 | 182,688 | 1,528,500 | 120.40 | 184,031 |
| Browns Investments PLC | 6,592,821 | 3.90 | 25,712 | 3,071,800 | 4.20 | 12,902 |
| Carsons Cumberbatch PLC | 49,500 | 438.60 | 21,711 | 24,500 | 541.20 | 13,259 |
| CT Holdings PLC | 194,927 | 124.00 | 24,171 | 194,927 | 179.00 | 34,892 |
| ExpoLanka Holdings PLC | 600,000 | 7.00 | 4,200 | 100,000 | 9.00 | 900 |
| FLC Holdings PLC | 602,300 | 2.40 | 1,446 | 1,399,100 | 3.10 | 4,337 |
| Hemas Holdings PLC | 577,100 | 27.00 | 15,582 | 584,300 | 33.00 | 19,282 |
| John Keells Holdings PLC | 90,100 | 219.90 | 19,812 | 266,801 | 170.20 | 45,410 |
| Richard Peiris and Company PLC | 4,844,405 | 7.80 | 37,786 | 4,953,600 | 9.00 | 44,582 |
| Softlogic Holdings PLC | 851,123 | 10.90 | 9,277 | 545,300 | 18.00 | 9,815 |
| Sunshine Holdings PLC | 626,800 | 28.00 | 17,550 | 626,800 | 29.00 | 18,177 |
| Taprobane Holdings PLC | 28,300 | 4.80 | 136 | - | - | - |
| The Colombo Fort Land & Building PLC | 242,390 | 34.60 | 8,387 | 194,000 | 49.00 | 9,506 |
| Vallibel One PLC | 1,616,464 | 18.10 | 29,258 | 1,536,400 | 23.80 | 36,566 |
| | | | 397,716 | | | 433,659 |
| **Footware & Textile** | | | | | | |
| Ceylon Leather Products PLC | 21,968 | 77.90 | 1,711 | 17,000 | 99.60 | 1,693 |
| Odel PLC | 207,310 | 20.10 | 4,167 | 217,400 | 32.30 | 7,022 |
| | | | 5,878 | | | 8,715 |
| **Health Care** | | | | | | |
| Asiri Surgical Hospital PLC | 179,200 | 9.30 | 1,667 | 179,200 | 7.90 | 1,416 |
| Ceylon Hospitals PLC (Durdans) | - | - | - | 6 | 85.00 | 1 |
| Nawaloka Hospitals PLC | 2,130,700 | 3.00 | 6,392 | 2,130,700 | 3.90 | 8,310 |
| The Lanka Hospitals Corporation PLC | 32,500 | 39.20 | 1,274 | 2,500 | 52.10 | 130 |
| | | | 9,333 | | | 9,857 |

## 24. FINANCIAL ASSETS - HELD FOR TRADING (Contd.)

### 24.1 Quoted investments (Contd.)

| | Group | | | | | |
|---|---|---|---|---|---|---|
| | 2012 | | | 2011 | | |
| | No. of ordinary shares | Market price per share LKR | Market value LKR '000 | No. of ordinary shares | Market price per share LKR | Market value LKR '000 |
| **Hotels & Travels** | | | | | | |
| Aitken Spence Hotel Holdings PLC | 1,639,600 | 73.10 | 119,854 | 1,639,600 | 69.50 | 113,952 |
| Amaya Leisure PLC | 118,700 | 84.00 | 9,971 | 118,714 | 81.50 | 9,675 |
| Asian Hotels & Properties PLC | 2,350,998 | 75.90 | 178,441 | 2,385,300 | 76.40 | 182,237 |
| Citrus Leisure PLC | 200,800 | 26.00 | 5,221 | 100,000 | 50.10 | 5,010 |
| Dolphin Hotels PLC | 137,264 | 36.50 | 5,010 | - | - | - |
| Eden Hotel Lanka PLC | 709,850 | 36.00 | 25,555 | 740,700 | 38.00 | 28,147 |
| Hotel Services (Ceylon) PLC | 2,681,800 | 17.10 | 45,859 | 2,680,250 | 20.30 | 54,409 |
| Hotel Sigiriya PLC | - | - | - | 1,800 | 74.00 | 133 |
| John Keells Hotels PLC | - | - | - | 269,900 | 13.50 | 3,644 |
| Marawila Resorts PLC | 50,000 | 7.30 | 365 | 50,050 | 10.10 | 506 |
| Palm Garden Hotels PLC | 17,972 | 140.00 | 2,516 | 2,300 | 231.80 | 533 |
| Pegasus Hotels of Ceylon PLC | 19,968 | 40.00 | 799 | - | - | - |
| Serendib Hotels PLC | 19,064 | 23.50 | 448 | - | - | - |
| Taj Lanka Hotels PLC | 447,400 | 30.00 | 13,422 | 447,400 | 39.00 | 17,449 |
| Tangerine Beach Hotels PLC | 50,000 | 80.40 | 4,020 | 50,000 | 81.00 | 4,050 |
| The Fortress Resorts PLC | 1,461,100 | 16.30 | 23,816 | 1,461,100 | 23.00 | 33,605 |
| The Lighthouse Hotel PLC | 108,000 | 53.10 | 5,735 | 104,900 | 53.50 | 5,612 |
| Trans Asia Hotels PLC | 477,200 | 74.00 | 35,313 | 477,200 | 79.50 | 37,937 |
| | | | 476,345 | | | 496,899 |
| **Information Technology** | | | | | | |
| PC House PLC | 343,300 | 5.40 | 1,854 | - | - | - |
| | | | 1,854 | | | - |
| **Investment Trusts** | | | | | | |
| Ascot Holdings PLC | - | - | - | 28,000 | 160.20 | 4,486 |
| Ceylon Guardian Investment Trust PLC | 67,710 | 184.00 | 12,459 | 71,200 | 255.00 | 18,156 |
| Ceylon Investment PLC | 442,000 | 84.50 | 37,350 | 442,000 | 110.00 | 48,620 |
| Environmental Resources Investments PLC | 407,987 | 14.90 | 6,079 | 381,300 | 40.10 | 15,290 |
| Guardian Capital Partners PLC | 18,596 | 52.00 | 967 | | | |
| Namal Acquity Value Fund | 291 | 65.30 | 19 | - | - | - |
| Renuka Holdings PLC | 488,169 | 36.10 | 17,624 | 503,888 | 53.90 | 27,160 |
| | | | 74,498 | | | 113,712 |
| **Land & Property** | | | | | | |
| Colombo Land & Development Company PLC | 105,852 | 35.50 | 3,758 | 100,000 | 54.90 | 5,490 |
| Commercial Development Company PLC | 33 | 61.00 | 2 | - | - | - |
| CT Land Development PLC | 5,000 | 24.20 | 121 | 8,100 | 28.90 | 234 |
| East West Properties PLC | 150,000 | 14.60 | 2,190 | 12,700 | 25.20 | 320 |
| Equity One PLC | 32,854 | 33.40 | 1,097 | 30,900 | 50.90 | 1,573 |
| On'ally Holdings PLC | 8,700 | 54.40 | 473 | 8,700 | 72.70 | 632 |
| Overseas Realty (Ceylon) PLC | 1,135,100 | 14.40 | 16,345 | 1,155,200 | 14.00 | 16,173 |
| Touchwood Investment PLC | - | - | - | 62,500 | 21.20 | 1,325 |
| | | | 23,986 | | | 25,747 |

**24. FINANCIAL ASSETS - HELD FOR TRADING (Contd.)**

**24.1 Quoted investments (Contd.)**

| | Group | | | | | |
|---|---|---|---|---|---|---|
| | 2012 | | | 2011 | | |
| | No. of ordinary shares | Market price per share LKR | Market value LKR '000 | No. of ordinary shares | Market price per share LKR | Market value LKR '000 |
| **Manufacturing** | | | | | | |
| Abans Electricals PLC | 36,119 | 97.10 | 3,506 | 24,400 | 190.10 | 4,638 |
| ACL Cables PLC | 15,300 | 67.40 | 1,031 | 15,300 | 74.00 | 1,132 |
| ACME Printing & Packaging PLC | 1,361,600 | 15.00 | 20,425 | 276,500 | 20.70 | 5,724 |
| Bogala Graphite Lanka PLC | 26,833 | 23.70 | 636 | 12,100 | 39.00 | 472 |
| Central Industries PLC | 169,560 | 69.00 | 11,700 | 240,100 | 84.30 | 20,240 |
| Ceylon Grain Elevators PLC | 107,517 | 59.50 | 6,397 | 71,800 | 105.50 | 7,575 |
| Chevron Lubricants Lanka PLC | - | - | - | 1,272,200 | 170.00 | 216,274 |
| Dipped Products PLC | 792,400 | 110.00 | 87,164 | 1,292,400 | 106.50 | 137,641 |
| Hayleys Fibre PLC | 147,700 | 28.00 | 4,135 | 147,700 | 36.00 | 5,317 |
| Kelani Tyres PLC | 582,500 | 33.60 | 19,572 | 582,500 | 38.50 | 22,426 |
| Lanka Aluminium Industries PLC | 37,500 | 34.80 | 1,305 | - | - | - |
| Lanka Cement PLC | 9,644,209 | 9.50 | 91,620 | 9,644,209 | 19.80 | 190,955 |
| Lanka Ceremic PLC | 33,500 | 62.00 | 2,077 | 33,500 | 85.00 | 2,848 |
| Lanka Floortiles PLC | 973,200 | 65.00 | 63,258 | 973,200 | 80.30 | 78,148 |
| Lanka Walltiles PLC | 160,040 | 60.80 | 9,730 | 160,040 | 94.50 | 15,124 |
| Laxapana Batteries PLC | 96,942 | 6.90 | 669 | 1,300 | 11.80 | 15 |
| Orient Garments PLC | 348,900 | 13.40 | 4,675 | 353,900 | 31.10 | 11,006 |
| Pelwatta Sugar Industries PLC* | 68,400 | 23.50 | 1,607 | 68,400 | 23.50 | 1,607 |
| Piramal Glass Ceylon PLC | 4,324,900 | 6.00 | 25,950 | 3,374,900 | 7.90 | 26,662 |
| Printcare PLC | 25,000 | 29.20 | 730 | 25,000 | 36.90 | 923 |
| Regnis (Lanka) PLC | 24,516 | 60.00 | 1,471 | - | - | - |
| Richard Pieris Exports PLC | 10,000 | 33.50 | 335 | 10,000 | 27.50 | 275 |
| Royal Ceramics Lanka PLC | 301,500 | 99.00 | 29,849 | 269,000 | 141.50 | 38,064 |
| Sierra Cables PLC | 92,400 | 2.40 | 222 | 92,400 | 4.20 | 388 |
| Textured Jersey Lanka PLC | 1,118,558 | 8.90 | 9,955 | 954,400 | 10.20 | 9,735 |
| Tokyo Cement Company (Lanka) PLC - voting | 121,275 | 28.60 | 3,468 | 126,875 | 44.00 | 5,583 |
| Tokyo Cement Company (Lanka) PLC - non voting | 942,600 | 19.30 | 18,192 | 702,600 | 30.50 | 21,429 |
| | | | 419,679 | | | 824,201 |
| **Motors** | | | | | | |
| Colonial Motors PLC | 36,600 | 146.10 | 5,347 | 35,600 | 400.60 | 14,261 |
| Diesel & Motor Engineering PLC | 37,356 | 601.80 | 22,481 | 36,356 | 1,302.10 | 47,339 |
| Sathosa Motors PLC | 36,000 | 222.30 | 8,003 | 37,900 | 260.00 | 9,854 |
| United Motors Lanka PLC | 159,700 | 100.80 | 16,098 | 38,900 | 146.00 | 5,679 |
| | | | 51,929 | | | 77,133 |
| **Oil Palms** | | | | | | |
| The Bukit Darah PLC | 6,000 | 697.00 | 4,182 | 6,000 | 1,030.00 | 6,180 |
| | | | 4,182 | | | 6,180 |

## 24. FINANCIAL ASSETS - HELD FOR TRADING (Contd.)

### 24.1 Quoted investments (Contd.)

| | Group | | | | | |
|---|---|---|---|---|---|---|
| | 2012 | | | 2011 | | |
| | No. of ordinary shares | Market price per share LKR | Market value LKR '000 | No. of ordinary shares | Market price per share LKR | Market value LKR '000 |
| **Plantations** | | | | | | |
| Agalawatte Plantations PLC | 50,300 | 32.70 | 1,645 | 49,000 | 49.80 | 2,440 |
| Balangoda Plantations PLC | 59,694 | 39.60 | 2,364 | 52,800 | 28.80 | 1,521 |
| Elpitiya Plantations PLC | 700 | 18.50 | 13 | 700 | 24.00 | 17 |
| Horana Plantations PLC | 553,002 | 24.50 | 13,549 | 524,600 | 37.80 | 19,830 |
| Kahawatte Plantations PLC | 931,500 | 33.10 | 30,833 | 931,500 | 29.50 | 27,479 |
| Kegalle Plantations PLC | 50,600 | 104.00 | 5,262 | 50,600 | 105.00 | 5,313 |
| Kotagala Plantations PLC | 64,500 | 74.00 | 4,773 | 64,500 | 64.30 | 4,147 |
| Maskeliya Plantations PLC | 4,000 | 12.70 | 51 | 4,000 | 20.00 | 80 |
| Namunukula Plantations PLC | 80,000 | 78.80 | 6,304 | 80,000 | 65.00 | 5,200 |
| Watawala Plantations PLC | 350,100 | 11.90 | 4,166 | 350,100 | 14.20 | 4,971 |
| | | | 68,960 | | | 70,998 |
| **Power & Energy** | | | | | | |
| FLC Hydro Power PLC | 233,134 | 6.70 | 1,495 | - | - | - |
| Hemas Power PLC | 1,273,929 | 21.90 | 27,899 | 1,195,900 | 26.70 | 31,931 |
| Lanka IOC PLC | 233,300 | 19.50 | 4,549 | 233,300 | 18.50 | 4,316 |
| Laugfs Gas PLC - voting | 27,400 | 25.60 | 702 | 92,400 | 38.00 | 3,511 |
| Laugfs Gas PLC - non voting | 3,246,400 | 18.30 | 59,409 | 3,212,400 | 23.00 | 73,885 |
| Panasian Power PLC | 1,279,200 | 2.50 | 3,198 | 1,029,200 | 4.30 | 4,426 |
| Vallibel Power Erathna PLC | 850,000 | 6.50 | 5,525 | 850,000 | 8.00 | 6,800 |
| | | | 102,777 | | | 124,869 |
| **Services** | | | | | | |
| Lake House Printers and Publishers PLC | - | - | - | 3,600 | 135.50 | 488 |
| | | | - | | | 488 |
| **Stores & Supplies** | | | | | | |
| Hunters & Company PLC | 27,100 | 339.90 | 9,211 | 27,100 | 590.00 | 15,989 |
| | | | 9,211 | | | 15,989 |
| **Telecommunications** | | | | | | |
| Dialog Axiata PLC | 3,638,780 | 8.30 | 30,202 | 3,536,400 | 7.80 | 27,584 |
| Sri Lanka Telecom PLC | 214,000 | 44.50 | 9,523 | 214,000 | 48.00 | 10,272 |
| | | | 39,725 | | | 37,856 |
| **Trading** | | | | | | |
| Brown & Company PLC | 189,700 | 124.10 | 23,542 | 199,600 | 234.80 | 46,866 |
| Ceylon & Foreign Trades PLC | 1,951,000 | 6.20 | 12,096 | 2,071,600 | 9.40 | 19,473 |
| CW Mackie PLC | 21,700 | 77.80 | 1,688 | 33,100 | 89.50 | 2,962 |
| Tess Agro PLC | 336,400 | 2.40 | 807 | - | - | - |
| Radiant Gems International PLC | 4,860 | 57.00 | 277 | - | - | - |
| | | | 38,410 | | | 69,301 |
| Total quoted investments | | | 2,368,608 | | | 4,028,861 |

## 25. FINANCIAL INVESTMENTS - LOANS AND RECEIVABLE

| As at 31st December | Bank | | Group | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| | LKR '000 | LKR '000 | LKR '000 | LKR '000 |
| Sri Lanka Development Bonds | 85,407,169 | 76,910,782 | 85,407,169 | 76,910,782 |
| Governement of Sri Lanka Restructuring Bonds | 8,968,474 | 8,968,474 | 8,968,474 | 8,968,474 |
| Debentures | 1,208,486 | 1,003,176 | 1,086,277 | 889,167 |
| Trust certificates | 516,380 | 224,746 | 516,380 | 224,746 |
| Government securities | 3,106,350 | 2,632,106 | 3,106,350 | 2,632,106 |
| Fixed deposits | - | - | 97,701 | 11,409 |
| **Total Financial Investments - Loans and receivable** | 99,206,859 | 89,739,284 | 99,182,351 | 89,636,684 |

## 26. LOANS AND ADVANCES TO CUSTOMERS

### 26.1 Loans and advances - Summary

| As at 31st December | 2012 | | | | 2011 | | | |
|---|---|---|---|---|---|---|---|---|
| | Individually significant loans | Retail loans | Staff loans | Total | Individually significant loans | Retail loans | Staff loans | Total |
| | LKR '000 | LKR '000 | LKR '000 | LKR '000 | LKR '000 | LKR '000 | LKR '000 | LKR '000 |
| **(a) Bank** | | | | | | | | |
| Gross loans and advances | 394,192,205 | 308,477,946 | 12,176,565 | 714,846,716 | 292,691,705 | 257,665,208 | 11,408,727 | 561,765,640 |
| Less : Individual impairment | 8,844,949 | - | 124,816 | 8,969,765 | 7,441,104 | - | 75,951 | 7,517,055 |
| Collective impairment | 660,196 | 13,317,548 | - | 13,977,744 | 321,609 | 10,778,011 | - | 11,099,620 |
| Net loans and advances | 384,687,060 | 295,160,398 | 12,051,749 | 691,899,207 | 284,928,992 | 246,887,197 | 11,332,776 | 543,148,965 |
| **(b) Group** | | | | | | | | |
| Gross loans and advances | 395,828,049 | 325,536,467 | 12,341,845 | 733,706,361 | 293,489,206 | 272,643,466 | 11,555,465 | 577,688,137 |
| Less : Individual impairment | 8,866,737 | - | 124,816 | 8,991,553 | 7,470,827 | - | 75,951 | 7,546,778 |
| Collective impairment | 666,016 | 14,115,251 | 43 | 14,781,310 | 336,032 | 11,550,825 | 19 | 11,886,876 |
| Net loans and advances | 386,295,296 | 311,421,216 | 12,216,986 | 709,933,498 | 285,682,347 | 261,092,641 | 11,479,495 | 558,254,483 |

### 26.2 Movement in impairment for loans and advances

| | 2012 | | | | 2011 | | | |
|---|---|---|---|---|---|---|---|---|
| | Individually significant loans | Retail loans | Staff loans | Total | Individually significant loans | Retail loans | Staff loans | Total |
| | LKR '000 | LKR '000 | LKR '000 | LKR '000 | LKR '000 | LKR '000 | LKR '000 | LKR '000 |
| **(a) Bank** | | | | | | | | |
| As at 1st Janaury | 7,762,713 | 10,778,011 | 75,951 | 18,616,675 | 8,725,936 | 11,412,676 | 23,356 | 20,161,968 |
| Charge / (reversal) during the year | 1,742,432 | 2,324,985 | 48,865 | 4,116,282 | (963,223) | (531,634) | 52,595 | (1,442,262) |
| Amount written off | - | (66,086) | - | (66,086) | - | (68,753) | - | (68,753) |
| Adjustment | - | 280,638 | - | 280,638 | - | (34,278) | - | (34,278) |
| As at 31st December | 9,505,145 | 13,317,548 | 124,816 | 22,947,509 | 7,762,713 | 10,778,011 | 75,951 | 18,616,675 |
| **(b) Group** | | | | | | | | |
| As at 1st Janaury | 7,806,859 | 11,550,825 | 75,970 | 19,433,654 | 8,755,183 | 12,051,611 | 23,538 | 20,830,332 |
| Charge / (reversal) during the year | 1,746,515 | 2,416,335 | 48,889 | 4,211,739 | (948,236) | (417,072) | 52,432 | (1,312,876) |
| Amount written off | (21,530) | (218,274) | - | (239,804) | (7) | (171,197) | - | (171,204) |
| Adjustment | 909 | 366,365 | - | 367,274 | (81) | 87,483 | - | 87,402 |
| As at 31st December | 9,532,753 | 14,115,251 | 124,859 | 23,772,863 | 7,806,859 | 11,550,825 | 75,970 | 19,433,654 |

## 26. LOANS AND ADVANCES TO CUSTOMERS (Contd.)

| As at 31st December | Bank 2012 LKR '000 | Bank 2011 LKR '000 | Group 2012 LKR '000 | Group 2011 LKR '000 |
|---|---|---|---|---|
| **26.3 Analysis of gross loans and advances - by product** | | | | |
| Term loans | 261,811,779 | 224,155,244 | 263,515,288 | 226,362,829 |
| Loans under schemes | 28,405,761 | 15,382,523 | 28,851,357 | 15,597,180 |
| Housing loans | 29,745,377 | 22,511,809 | 29,749,228 | 22,519,770 |
| Trade finance | 50,969,393 | 45,858,820 | 52,588,702 | 47,102,099 |
| Personal loans | 28,296,113 | 20,344,922 | 29,026,641 | 20,586,179 |
| Overdrafts | 120,721,782 | 75,355,675 | 120,721,782 | 75,355,675 |
| Credit cards | 2,352,679 | 1,954,451 | 2,352,679 | 1,954,451 |
| Leasing [Note 26.5] | 22,573,943 | 14,762,334 | 36,121,595 | 25,953,017 |
| Pawning | 146,666,011 | 123,578,748 | 146,865,207 | 123,748,925 |
| Foreclosed properties | 791,208 | 898,737 | 791,208 | 898,737 |
| Staff loans | 12,176,565 | 11,408,727 | 12,341,845 | 11,555,465 |
| Other | 10,336,105 | 5,553,650 | 10,780,829 | 6,053,810 |
| | 714,846,716 | 561,765,640 | 733,706,361 | 577,688,137 |
| **26.4 Analysis of gross loans and advances - by currency** | | | | |
| Sri Lankan Rupee | 484,394,505 | 386,272,333 | 501,861,715 | 401,551,730 |
| United States Dollar | 220,966,945 | 169,405,157 | 220,966,945 | 169,405,157 |
| Great Britain Pound | 366,859 | 296,047 | 1,759,294 | 939,147 |
| Maldivian Rufiyaa | 6,207,070 | 3,457,269 | 6,207,070 | 3,457,269 |
| Euro | 681,340 | 546,283 | 681,340 | 546,283 |
| Indian Rupee | 2,159,790 | 1,742,326 | 2,159,790 | 1,742,326 |
| Other | 70,207 | 46,225 | 70,207 | 46,225 |
| | 714,846,716 | 561,765,640 | 733,706,361 | 577,688,137 |
| **26.5 Lease rentals receivable** | | | | |
| Gross lease rentals receivable | | | | |
| Less than one year | 8,850,652 | 4,320,275 | 16,305,687 | 10,337,625 |
| One to five years | 19,724,876 | 14,246,144 | 28,762,029 | 22,374,461 |
| More than five years | 23,326 | 105,115 | 27,946 | 105,115 |
| | 28,598,854 | 18,671,534 | 45,095,662 | 32,817,201 |
| Unearned finance income | (6,024,911) | (3,909,200) | (8,974,067) | (6,864,184) |
| Gross lease rentals receivable | 22,573,943 | 14,762,334 | 36,121,595 | 25,953,017 |
| Allowance for impairment losses | (470,041) | (284,243) | (813,952) | (565,558) |
| Net lease rentals receivable | 22,103,902 | 14,478,091 | 35,307,643 | 25,387,459 |
| **27. FINANCIAL INVESTMENTS - AVAILABLE FOR SALE** | | | | |
| **(a) Quoted investments** | | | | |
| Treasury bills - Investment Fund Account | 1,794,516 | 1,519,568 | 1,905,976 | 1,613,509 |
| Treasury bonds | 1,034,583 | - | 1,813,783 | 1,046,517 |
| Treasury bills | - | - | 518,626 | 746,404 |
| Government securities * | 1,172,664 | 910,813 | 1,172,664 | 910,813 |
| Equities [Note 27.1] | 6,438,745 | 7,010,930 | 7,283,010 | 8,129,379 |
| | 10,440,508 | 9,441,311 | 12,694,059 | 12,446,622 |
| **(b) Unquoted investments** | | | | |
| Equities [Note 27.2] | 1,640,480 | 3,422,990 | 1,667,866 | 3,456,519 |
| Financial investments - Available for sale | 12,080,988 | 12,864,301 | 14,361,925 | 15,903,141 |

* Government securities consist of investment made on treasury bills and treasury bonds issued by Government of India.

**27. FINANCIAL INVESTMENTS - AVAILABLE FOR SALE (Contd.)**

| As at 31st December | Bank | | | | | |
|---|---|---|---|---|---|---|
| | 2012 | | | 2011 | | |
| | No. of ordinary shares | Cost of investment LKR '000 | Market value LKR '000 | No. of ordinary shares | Cost of investment LKR '000 | Market value LKR '000 |
| **27.1 Quoted investments** | | | | | | |
| **(a) Listed equity shares** | | | | | | |
| National Development Bank PLC | 16,371,076 | 691,862 | 2,257,571 | 16,371,076 | 691,862 | 2,260,845 |
| People's Leasing & Finance PLC | 11,453,600 | 206,165 | 151,188 | 11,453,600 | 206,165 | 183,258 |
| Seylan Bank PLC | 13,000,000 | 455,000 | 728,000 | 13,000,000 | 455,000 | 878,800 |
| | | 1,353,027 | 3,136,759 | | 1,353,027 | 3,322,903 |
| **(b) Units in unit trusts** | | | | | | |
| Ceybank Unit Trust | 107,109,656 | 1,500,435 | 2,757,003 | 99,063,544 | 1,302,308 | 3,137,342 |
| Ceybank Century Growth Fund | 7,966,323 | 126,044 | 439,183 | 7,673,959 | 110,696 | 447,085 |
| Ceybank Surekum Gilt Edged Fund | 10,000,000 | 100,000 | 105,800 | 10,000,000 | 100,000 | 103,600 |
| | | 1,726,479 | 3,301,986 | | 1,513,004 | 3,688,027 |
| Quoted investments | | 3,079,506 | 6,438,745 | | 2,866,031 | 7,010,930 |

| | Group | | | | | |
|---|---|---|---|---|---|---|
| | 2012 | | | 2011 | | |
| | No. of ordinary shares | Cost of investment LKR '000 | Market value LKR '000 | No. of ordinary shares | Cost of investment LKR '000 | Market value LKR '000 |
| **(a) Listed equity shares** | | | | | | |
| National Development Bank PLC | 16,371,076 | 691,862 | 2,257,571 | 16,371,076 | 691,862 | 2,260,845 |
| People's Leasing Finance PLC | 11,453,600 | 206,165 | 151,188 | 11,453,600 | 206,165 | 183,258 |
| Seylan Bank PLC | 13,000,000 | 455,000 | 728,000 | 13,000,000 | 455,000 | 878,800 |
| The Lanka Hospitals Corporation PLC | 21,329,000 | 213,290 | 836,097 | 21,329,000 | 213,290 | 1,111,241 |
| | | 1,566,317 | 3,972,856 | | 1,566,317 | 4,434,144 |
| **(b) Units in unit trusts** | | | | | | |
| Ceybank Unit Trust | 107,109,656 | 1,500,435 | 2,757,003 | 99,063,544 | 1,302,308 | 3,137,342 |
| Ceybank Century Growth Fund | 7,966,323 | 126,044 | 439,183 | 7,673,959 | 110,696 | 447,085 |
| Ceybank Surekum Gilt Edged Fund | 10,000,000 | 100,000 | 105,800 | 10,000,000 | 100,000 | 103,600 |
| Comtrust fund | 1,500 | 1,500 | 1,439 | - | - | - |
| First Capital Asset Management Limited | 5,000 | 5,000 | 4,671 | 5,000 | 5,000 | 5,000 |
| Namal Acuity Value Fund | 31,191 | 2,863 | 2,058 | 32,800 | 3,140 | 2,208 |
| | | 1,735,842 | 3,310,154 | | 1,521,144 | 3,695,235 |
| Quoted investments | | 3,302,159 | 7,283,010 | | 3,087,461 | 8,129,379 |

## 27. FINANCIAL INVESTMENTS - AVAILABLE FOR SALE (Contd.)

| As at 31st December | Bank | | | | | |
|---|---|---|---|---|---|---|
| | 2012 | | | 2011 | | |
| | No. of ordinary shares | Cost of investment LKR '000 | Market value LKR '000 | No. of ordinary shares | Cost of investment LKR '000 | Market value LKR '000 |
| **27.2 Unquoted investments** | | | | | | |
| **Unlisted equity shares** | | | | | | |
| Credit Information Bureau | 47,100 | 41,988 | 41,988 | 47,100 | 41,988 | 41,988 |
| Fitch Ratings Lanka Limited | 62,500 | 625 | 625 | 62,500 | 625 | 625 |
| Kandy Textile Industries Limited | 191,790 | - | - | 191,790 | 1,918 | - |
| LankaClear (Private) Limited | 2,100,000 | 21,000 | 21,000 | 2,100,000 | 21,000 | 21,000 |
| Lanka Financial Services Bureau Limited | 225,000 | 2,250 | 2,250 | 225,000 | 2,250 | 2,250 |
| Magpek Exports Limited | 300,000 | 4,355 | - | 300,000 | 4,355 | - |
| Regional Development Bank | 7,418,448 | 72,000 | 112,167 | 7,418,448 | 72,000 | 106,677 |
| Serendib Coconut Products Limited | 37,500 | - | - | 37,500 | 375 | - |
| Srilankan Airlines Limited | 12,115,571 | 3,250,450 | 1,462,450 | 12,115,571 | 3,250,450 | 3,250,450 |
| | | 3,392,668 | 1,640,480 | | 3,394,961 | 3,422,990 |
| Fair value adjustment | | 40,167 | - | | 34,677 | - |
| Provision for impairment [Note 27.2.1] | | (1,792,355) | - | | (6,648) | - |
| | | 1,640,480 | 1,640,480 | | 3,422,990 | 3,422,990 |

| As at 31st December | Group | | | | | |
|---|---|---|---|---|---|---|
| | 2012 | | | 2011 | | |
| | No. of ordinary shares | Cost of investment LKR '000 | Market value LKR '000 | No. of ordinary shares | Cost of investment LKR '000 | Market value LKR '000 |
| **Unlisted equity shares** | | | | | | |
| Ceylinco Investment Company Limited | 500,000 | 5,000 | - | 500,000 | 5,000 | - |
| Credit Information Bureau | 47,540 | 42,032 | 42,032 | 47,540 | 42,032 | 42,032 |
| Fitch Ratings Lanka Limited | 62,500 | 625 | 625 | 62,500 | 625 | 625 |
| Kandy Textile Industries Limited | - | - | - | 191,790 | 1,918 | - |
| LankaClear (Private) Limited | 2,100,000 | 21,000 | 21,000 | 2,100,000 | 21,000 | 21,000 |
| Lanka Financial Services Bureau Limited | 225,000 | 2,250 | 2,250 | 225,000 | 2,250 | 2,250 |
| Magpek Export Limited | 300,000 | 4,355 | - | 300,000 | 4,355 | - |
| Mega Containers Limited | 1,000,000 | 10,000 | 18,569 | 1,000,000 | 10,000 | 18,569 |
| Regional Development Bank | 7,418,448 | 72,000 | 112,167 | 7,418,448 | 72,000 | 106,677 |
| San Michele Limited | - | - | - | 50,000 | 502 | - |
| Serendib Coconut Products Limited | 37,500 | - | - | 37,500 | 375 | - |
| Srilankan Airlines Limited | 12,115,571 | 3,250,450 | 1,462,450 | 12,115,571 | 3,250,450 | 3,250,450 |
| UB Finance Company Limited | 2,506,562 | 17,546 | 8,773 | 2,506,562 | 17,546 | 14,916 |
| | | 3,425,258 | 1,667,866 | | 3,428,053 | 3,456,519 |
| Fair value adjustment | | 48,736 | - | | 43,246 | - |
| Provision for impairment [Note 27.2.1] | | (1,806,128) | - | | (14,780) | - |
| | | 1,667,866 | 1,667,866 | | 3,456,519 | 3,456,519 |

| | Bank | | Group | |
|---|---|---|---|---|
| | 2012 LKR '000 | 2011 LKR '000 | 2012 LKR '000 | 2011 LKR '000 |
| **27.2.1 Movement in impairment during the year** | | | | |
| Balance as at 1st January | 6,648 | 6,648 | 14,780 | 11,648 |
| Provision made during the year | 1,788,000 | - | 1,794,143 | 3,132 |
| Write-off during the year | (2,293) | - | (2,795) | - |
| Balance as at 31st December | 1,792,355 | 6,648 | 1,806,128 | 14,780 |

## 28. FINANCIAL INVESTMENTS - HELD TO MATURITY

| As at 31st December | Bank 2012 LKR '000 | Bank 2011 LKR '000 | Group 2012 LKR '000 | Group 2011 LKR '000 |
|---|---|---|---|---|
| **(a) Government securities** | | | | |
| Treasury bills | 11,113,337 | 10,658,267 | 11,758,558 | 10,943,503 |
| Treasury bonds | 99,842,865 | 40,728,170 | 99,842,865 | 40,798,948 |
| | 110,956,202 | 51,386,437 | 111,601,423 | 51,742,451 |
| **(b) Debt securities** | - | - | 105,036 | 100,010 |
| | - | - | 105,036 | 100,010 |
| Total financial investments - Held to maturity | 110,956,202 | 51,386,437 | 111,706,459 | 51,842,461 |

The bank has pledged treasury bills and treasury bonds held to maturity of LKR 41,397.2 million as collateral as at 31st December 2012 (2011 : LKR 42,903.3 million).

## 29. INVESTMENTS IN SUBSIDIARY COMPANIES

| As at 31st December | Bank 2012 LKR '000 | Bank 2011 LKR '000 |
|---|---|---|
| Investments in quoted companies [Note 29.3] | 2,862,705 | 2,862,705 |
| Investments in unquoted companies [Note 29.4] | 3,930,143 | 3,377,981 |
| | 6,792,848 | 6,240,686 |
| **29.1 Movement in investments in Subsidiary Companies** | | |
| Balance as at 1st January | 6,240,686 | 6,096,224 |
| Increase / (decrease) in investment | 596,624 | 100,000 |
| Exchange rate adjustments | (44,462) | 44,462 |
| Balance as at 31st December | 6,792,848 | 6,240,686 |
| **29.2 Movement in provision for impairment** | | |
| Balance as at 1st January | - | 817,130 |
| Charge / (reversal) of impairment | - | (817,130) |
| Balance as at 31st December | - | - |

| As at 31st December | Bank 2012 Group's interest in stated capital % | 2012 Cost LKR '000 | 2012 Market Value LKR '000 | 2011 Group's interest in stated capital % | 2011 Cost LKR '000 | 2011 Market Value LKR '000 |
|---|---|---|---|---|---|---|
| **29.3 Quoted** | | | | | | |
| Property Development PLC (61,485,050 ordinary shares) (Incorporated in Sri Lanka) | 93.16 | 740,070 | 2,902,094 | 93.16 | 740,070 | 3,209,520 |
| Merchant Bank of Sri Lanka PLC (97,392,136 ordinary shares) (Incorporated in Sri Lanka) | 72.14 | 2,122,635 | 1,938,104 | 72.14 | 2,122,635 | 3,856,729 |
| Investment in quoted Subsidiary Companies | | 2,862,705 | 4,840,198 | | 2,862,705 | 7,066,249 |

## 29. INVESTMENTS IN SUBSIDIARY COMPANIES (Contd.)

| As at 31st December | Bank | | | | | |
|---|---|---|---|---|---|---|
| | 2012 | | | 2011 | | |
| | Group's interest in stated capital % | Cost LKR '000 | Market Value/ Directors' valuation LKR '000 | Group's interest in stated capital % | Cost LKR '000 | Market Value/ Directors' valuation LKR '000 |
| **29.4 Unquoted** | | | | | | |
| BOC Management & Support Services (Private) Limited (100,000 ordinary shares) (Incorporated in Sri Lanka) | 100.00 | 1,000 | 1,000 | 100.00 | 1,000 | 1,000 |
| BOC Property Development & Management (Private) Limited (100,999,998 ordinary shares) (Incorporated in Sri Lanka) | 100.00 | 1,010,000 | 1,010,000 | 100.00 | 1,010,000 | 1,010,000 |
| BOC Travels (Private) Limited (250,004 ordinary shares) (Incorporated in Sri Lanka) | 100.00 | 2,500 | 2,500 | 100.00 | 2,500 | 2,500 |
| Bank of Ceylon (UK) Limited (15,000,000 ordinary shares) (Incorporated in the United Kingdom) | 100.00 | 2,683,859 | 2,683,859 | 100.00 | 2,131,697 | 2,131,697 |
| Ceylease Limited (11,000,000 ordinary shares) (Incorporated in Sri Lanka) | 55.00 | 110,000 | 110,000 | 55.00 | 110,000 | 110,000 |
| Hotels Colombo (1963) Limited (10,073,667 ordinary shares) (Incorporated in Sri Lanka) | 99.99 | 100,737 | 100,737 | 99.99 | 100,737 | 100,737 |
| MCSL Financial Services Limited (4,900,018 ordinary shares) (Incorporated in Sri Lanka) | 85.79 | 22,047 | 22,047 | 85.79 | 22,047 | 22,047 |
| Investments in unquoted Subsidiary Companies | | 3,930,143 | 3,930,143 | | 3,377,981 | 3,377,981 |

In addition to the above Subsidiaries, Ceybank Holiday Homes (Private) Limited, MBSL Insurance Company Limited, MBSL Savings Bank Limited and Koladeniya Hydropower (Private) Limited are indirect Subsidiaries of the Bank.

## 30. INVESTMENTS IN ASSOCIATE COMPANIES

| As at 31st December | Bank | | | |
|---|---|---|---|---|
| | 2012 | | 2011 | |
| | Group's interest in stated capital % | Cost LKR '000 | Group's interest in stated capital % | Cost LKR '000 |
| **30.1 Unquoted** | | | | |
| Ceybank Asset Management Limited (1,240,002 ordinary shares) (Incorporated in Sri Lanka) | 43.36 | 31,048 | 43.36 | 31,048 |
| Lanka Securities (Private) Limited (3,495,000 ordinary shares) (Incorporated in Sri Lanka) | 40.92 | 41,940 | 40.92 | 41,940 |
| Mireka Capital Land (Private) Limited (75,000,000 ordinary shares) (Incorporated in Sri Lanka) | 40.00 | 750,000 | 40.00 | 750,000 |
| Southern Development Financial Company Limited (2,500,001 ordinary shares) (Incorporated in Sri Lanka) | 41.67 | 25,000 | 41.67 | 25,000 |
| Transnational Lanka Records Solutions (Private) Limited (2,000,000 ordinary shares) (Incorporated in Sri Lanka) | 24.69 | 20,000 | 24.69 | 20,000 |
| Total investment in Associate Companies | | 867,988 | | 867,988 |
| Provision for impairment | | (25,000) | | (25,000) |
| Net investment in Associate Companies | | 842,988 | | 842,988 |

## 30. INVESTMENTS IN ASSOCIATE COMPANIES (Contd.)

| As at 31st December | Group | | | |
|---|---|---|---|---|
| | 2012 | | 2011 | |
| | Equity value LKR '000 | Market value/ Directors' valuation LKR '000 | Equity value LKR '000 | Market value/ Directors' valuation LKR '000 |
| **30.2 Unquoted** | | | | |
| Ceybank Asset Management Limited (1,240,002 ordinary shares) (Incorporated in Sri Lanka) | 119,581 | 119,581 | 89,418 | 89,418 |
| Lanka Securities (Private) Limited (8,562,750 ordinary shares) (Incorporated in Sri Lanka) | 147,315 | 147,315 | 187,349 | 187,349 |
| Mireka Capital Land (Private) Limited (75,000,000 ordinary shares) (Incorporated in Sri Lanka) | 943,774 | 943,774 | 963,129 | 963,129 |
| Southern Development Financial Company Limited (2,500,001 ordinary shares) (Incorporated in Sri Lanka) | 594 | 594 | 842 | 842 |
| Transnational Lanka Records Solutions (Private) Limited (2,000,000 ordinary shares) (Incorporated in Sri Lanka) | 57,731 | 57,731 | 41,940 | 41,940 |
| Net investments in Associate Companies | 1,268,995 | 1,268,995 | 1,282,678 | 1,282,678 |

## 30. INVESTMENTS IN ASSOCIATE COMPANIES (Contd.)

| | Bank | | Group | |
|---|---|---|---|---|
| | Carrying value | | Equity value | |
| | 2012 LKR '000 | 2011 LKR '000 | 2012 LKR '000 | 2011 LKR '000 |
| **30.3 Movement in investments in Associate Companies** | | | | |
| Balance as at 1st January | 867,988 | 867,988 | 1,282,678 | 1,172,760 |
| Share of profit / (loss) before tax | - | - | 38,585 | 208,716 |
| Share of tax | - | - | (17,090) | (43,297) |
| Dividends | - | - | (35,178) | (53,271) |
| Other adjustments | - | - | - | (2,230) |
| Balance as at 31st December | 867,988 | 867,988 | 1,268,995 | 1,282,678 |
| **30.4 Movement in provision for impairment** | | | | |
| Balance as at 1st January | 25,000 | 23,330 | - | - |
| Amount provided during the year | - | 1,670 | - | - |
| Balance as at 31st December | 25,000 | 25,000 | - | - |
| Carrying value of investments in Associate Companies | 842,988 | 842,988 | 1,268,995 | 1,282,678 |

**30.5 The Group's interest in the summarised financial information of Associate Companies are as follows:**

| | 2012 LKR '000 | 2011 LKR '000 |
|---|---|---|
| **Group's share of;** | | |
| Total assets | 2,880,506 | 2,835,998 |
| Total liabilities | 1,611,511 | 1,553,320 |
| **Group's share of;** | | |
| Total operating income | 388,101 | 924,544 |
| Total operating expense | (349,516) | (715,828) |
| Profit before taxation | 38,585 | 208,716 |
| Provision for taxation | (17,090) | (43,297) |
| Profit after taxation | 21,495 | 165,419 |

## 31. INVESTMENT PROPERTIES

| | Bank | | Group | |
|---|---|---|---|---|
| | 2012 LKR '000 | 2011 LKR '000 | 2012 LKR '000 | 2011 LKR '000 |
| **Cost** | | | | |
| Balance as at 1st January | - | - | 174,590 | 394,775 |
| Additions during the year | - | - | - | 15,000 |
| Disposals during the year | - | - | (1,444) | (235,185) |
| Transfer / adjustment | - | - | (15,000) | - |
| Balance as at 31st December | - | - | 158,146 | 174,590 |
| **Less : Accumulated depreciation** | | | | |
| Balance as at 1st January | - | - | 8,715 | 7,908 |
| Charge for the year | - | - | 2,688 | 3,285 |
| Disposal / transfer | - | - | (304) | (2,478) |
| Balance as at 31st December | - | - | 11,099 | 8,715 |
| **Net investment properties** | - | - | 147,047 | 165,875 |

Investment properties were not held by the Bank for the current year and for the previous year. Rental income earned from investment properties of the Group was LKR 7.7 million in 2012 (2011 : LKR 34.0 million).

## 31. INVESTMENT PROPERTIES (Contd.)

### 31.1 Investment properties held by the Group

| As at 31st December | | | | 2012 | | | | 2011 | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | Cost | | Fair value | Cost | Fair value |
| | | Building (sq.ft) | Extent (Perches) | Land LKR '000 | Building LKR '000 | Total LKR '000 | Total LKR '000 | Total LKR '000 | Total LKR '000 |
| No. 64 & 66, Nonagama Road, Pallegama, Embilipitiya. | * | | 16.61 | 1,750 | - | 1,750 | 13,000 | 1,750 | 13,000 |
| Lot No. 2 & 3, of Muttuweowita. | * | | 20.40 | - | - | - | - | 714 | 1,000 |
| No 300/8, Thalawathugoda Road, Madiwela, Kotte. | * | 2,478 | 16.15 | 2,465 | 2,635 | 5,100 | 14,727 | 5,100 | 14,727 |
| No 385/1, Kotte Road, Pittakotte. | * | 2,896 | 19.01 | 2,958 | 1,730 | 4,688 | 5,298 | 4,688 | 5,298 |
| No 116,116/1,118,120, 1st Cross Street, Colombo 01. | * | | 12.35 | 1,249 | - | 1,249 | 1,249 | 1,249 | 1,249 |
| No 43,45,49,51 & 53, New Olcott Mawatha, Colombo 11. | * | | 7.50 | 9,950 | - | 9,950 | 75,000 | 9,950 | 75,000 |
| No 102 & 104, Dam Street, Colombo 12. | * | 7,925 | 50.70 | 17,970 | 4,989 | 22,959 | 56,029 | 22,959 | 56,029 |
| Kumbuththukuliya Watte, Bangadeniya Road, Puttalam. | * | | 80.00 | 600 | - | 600 | 3,400 | 600 | 3,400 |
| Mirissawelawatta Hena; Thekkawatta, Dambadeniya. | * | | 188.00 | 162 | - | 162 | 600 | 162 | 600 |
| Rukgahakottunuwa, Gehenuwala, Meepe. | * | | 38.33 | 1,688 | - | 1,688 | 890 | 2,418 | 890 |
| No 50/21, Old Kesbawa Road, Raththanapitiya, Boralesgamuwa. | ** | 44,877 | 364.36 | 65,604 | 44,396 | 110,000 | 229,075 | 110,000 | 229,075 |
| Alankare, in Angamu Korale of Dewanedi hathpattuwa, Kurunegala District. | | 5,936 | 200.05 | - | - | - | - | 13,000 | 21,319 |
| No 498, Homagama Road, Athurugiriya. | * | - | 21.75 | - | - | - | - | 2,000 | 2,610 |
| **Total** | | | | 104,396 | 53,750 | 158,146 | 399,268 | 174,590 | 424,197 |

**Note :**

* The fair value of the investment properties as at 31st December 2012 was based on market valuations carried out by Mr. D N Dhammika Baranage [RICS (UK), DIV AIS (SL)] and Mr. H A W Perera [B Sc Estate Management & Valuation (Special)] who are independent valuers. The directors have reviewed values of the investment properties as at 31st December 2012 and concluded that there were no impairment.

** Professional valuation has been carried out by Mr A G Gunarathna, [B Sc Estate Management and Valuation, FIV (Sri Lanka)] incorporated valuer on the basis of Market Approach (Direct Comparison Method) with effect from 24th July 2009.

## 32. PROPERTY, PLANT AND EQUIPMENT

| As at 31st December | Freehold land LKR '000 | Freehold building LKR '000 | Building on leasehold land LKR '000 | Equipment LKR '000 [Note 32.12.1] | Motor vehicles LKR '000 | Leasehold motor vehicles LKR '000 | Capital work in progress LKR '000 | 2012 Total LKR '000 | 2011 Total LKR '000 |
|---|---|---|---|---|---|---|---|---|---|
| **32.1 Bank** | | | | | | | | | |
| Cost or valuation | | | | | | | | | |
| As at 1st January | 5,261,258 | 2,224,125 | 887,185 | 7,411,206 | 640,299 | 50,377 | 220,380 | 16,694,830 | 11,471,724 |
| Additions during the year | | | | | | | | | |
| Acquisitions | 32,757 | 17,128 | 9,932 | 711,838 | 19,676 | - | 264,899 | 1,056,230 | 1,084,765 |
| Capitalizations | - | 82,784 | 196,804 | 1,058 | - | - | (280,646) | - | - |
| Revaluation | | | | | | | | | |
| Revaluation surplus | 386,860 | 116,193 | 193,254 | - | - | - | - | 696,307 | 4,714,179 |
| Depreciation on revalued assets | - | (13,928) | (103,722) | - | - | - | - | (117,650) | (310,587) |
| Disposals during the year | - | - | (5,428) | (99,640) | (24,317) | - | - | (129,385) | (246,859) |
| Exchange rate adjustments | - | - | - | 9,835 | 312 | - | - | 10,147 | (14,567) |
| Transfers / adjustments | - | - | - | (282) | - | - | - | (282) | (3,825) |
| As at 31st December | 5,680,875 | 2,426,302 | 1,178,025 | 8,034,015 | 635,970 | 50,377 | 204,633 | 18,210,197 | 16,694,830 |
| **Accumulated depreciation** | | | | | | | | | |
| As at 1st January | - | 75,595 | 400,791 | 5,275,989 | 390,969 | 32,560 | - | 6,175,904 | 5,927,135 |
| Charge for the year | - | 64,896 | 43,467 | 614,969 | 105,060 | 9,659 | - | 838,051 | 815,088 |
| Transfer of accumulated depreciation on assets revaluation | - | (13,928) | (103,722) | - | - | - | - | (117,650) | (310,587) |
| Disposals during the year | - | - | (5,428) | (98,868) | (18,901) | - | - | (123,197) | (243,802) |
| Exchange rate adjustments | - | - | - | 7,433 | 135 | - | - | 7,568 | (11,883) |
| Transfers / adjustments | - | - | - | - | (1,306) | - | - | (1,306) | (47) |
| As at 31st December | - | 126,563 | 335,108 | 5,799,523 | 475,957 | 42,219 | - | 6,779,370 | 6,175,904 |
| **Net book value as at 31st December 2012** | 5,680,875 | 2,299,739 | 842,917 | 2,234,492 | 160,013 | 8,158 | 204,633 | 11,430,827 | - |
| **Net book value as at 31st December 2011** | 5,261,258 | 2,148,530 | 486,394 | 2,135,217 | 249,330 | 17,817 | 220,380 | - | 10,518,926 |

**32. PROPERTY, PLANT AND EQUIPMENT (Contd.)**

| | Freehold land LKR '000 | Freehold building LKR '000 | Building on leasehold land LKR '000 | Equipment LKR '000 [Note 32.12.2] | Motor vehicles LKR '000 | Leasehold motor vehicles LKR '000 | Capital work in progress LKR '000 | 2012 Total LKR '000 | 2011 Total LKR '000 |
|---|---|---|---|---|---|---|---|---|---|
| **32.2 Group** | | | | | | | | | |
| **Cost or valuation** | | | | | | | | | |
| As at 1st January | 5,271,219 | 4,155,286 | 6,398,463 | 8,042,506 | 726,713 | 50,377 | 578,618 | 25,223,182 | 18,624,895 |
| Additions during the year | | | | | | | | | |
| Acquisitions | 32,757 | 39,749 | 9,932 | 853,565 | 42,104 | - | 327,988 | 1,306,095 | 1,561,856 |
| Capitalizations | - | 83,284 | 322,276 | 296,412 | - | - | (701,972) | - | - |
| Revaluation | | | | | | | | | |
| Revaluation surplus | 386,860 | 116,193 | 193,254 | 41,912 | - | - | - | 738,219 | 5,661,646 |
| Depreciation on revalued assets | - | (13,928) | (103,722) | (50,995) | - | - | - | (168,645) | (310,587) |
| Disposals during the year | - | (4,647) | (26,593) | (103,152) | (32,744) | - | - | (167,136) | (299,760) |
| Exchange rate adjustments | - | 77,407 | - | 12,236 | 312 | - | - | 89,955 | (5,986) |
| Transfers / adjustments | - | (1,647) | 1,832 | (282) | 3,349 | - | - | 3,252 | (8,882) |
| As at 31st December | 5,690,836 | 4,451,697 | 6,795,442 | 9,092,202 | 739,734 | 50,377 | 204,634 | 27,024,922 | 25,223,182 |
| **Accumulated depreciation** | | | | | | | | | |
| As at 1st January | - | 417,580 | 1,130,953 | 5,736,151 | 424,995 | 32,560 | - | 7,742,239 | 7,255,750 |
| Charge for the year | - | 112,720 | 237,732 | 683,821 | 123,908 | 9,659 | - | 1,167,840 | 1,083,637 |
| Transfer of accumulated depreciation on assets revaluation | - | (13,928) | (103,722) | (50,995) | - | - | - | (168,645) | (310,587) |
| Disposals during the year | - | (2,516) | (26,593) | (100,528) | (27,127) | - | - | (156,764) | (281,467) |
| Exchange rate adjustments | - | 2,580 | - | 7,824 | 134 | - | - | 10,538 | (5,456) |
| Transfers / adjustments | - | - | 551 | (7,404) | (1,296) | - | - | (8,149) | 362 |
| As at 31st December | - | 516,436 | 1,238,921 | 6,268,869 | 520,614 | 42,219 | - | 8,587,059 | 7,742,239 |
| **Net book value as at 31st December 2012** | 5,690,836 | 3,935,261 | 5,556,521 | 2,823,333 | 219,120 | 8,158 | 204,634 | 18,437,863 | - |
| **Net book value as at 31st December 2011** | 5,271,219 | 3,737,706 | 5,267,507 | 2,306,355 | 301,718 | 17,817 | 578,618 | - | 17,480,943 |

**32.3 Title restriction on property, plant and equipment**

There were no restrictions that existed in the title of the property, plant and equipment of the Bank and the Group as at the reporting date.

**32.4 Property, plant and equipment pledged as security for liabilities**

No freehold property, plant and equipment have been pledged as security for any liability.

**32.5 Compensation from third parties for items of property, plant and equipment**

There were no compensation received / receivable from third parties for items of property, plant and equipment which were impaired or given up.

**32.6 Fully depreciated property, plant & equipment**

The initial cost of fully depreciated property, plant & equipment, which are still in use are as follows :

| As at 31st December | Bank 2012 LKR '000 | Bank 2011 LKR '000 | Group 2012 LKR '000 | Group 2011 LKR '000 |
|---|---|---|---|---|
| Motor vehicles | 223,342 | 98,364 | 242,104 | 113,425 |
| Computer equipments | 2,297,962 | 1,763,791 | 2,323,463 | 1,788,538 |
| Equipment, furniture, & fittings | 606,430 | 401,716 | 709,387 | 506,486 |
| Leasehold building | 84,883 | 78,443 | 84,883 | 78,443 |
| Plant & machinery | 589,693 | 509,083 | 721,205 | 510,915 |
| | 3,802,310 | 2,851,397 | 4,081,042 | 2,997,807 |

**32.7 Temporarily idle property, plant & equipment**

There were no temporarily idle property, plant and equipment as at the reporting date.

## 32. PROPERTY, PLANT AND EQUIPMENT (Contd.)

### 32.8 Property, plant & equipment retired from active use

The Bank held no property, plant and equipment retired from active use and which were not classified as held for sale in accordance with SLFRS 5 -" Non-current assets held for sale and discontinued operations"

### 32.9 Freehold properties

The carrying value of the freehold revalued properties, if they were carried at cost less accumulated depreciation would be as follows :

| | 2012 | | | 2011 | | |
|---|---|---|---|---|---|---|
| | Cost LKR '000 | Accumulated depreciation LKR '000 | Net book value LKR '000 | Cost LKR '000 | Accumulated depreciation LKR '000 | Net book value LKR '000 |
| **Bank** | | | | | | |
| Land | 134,424 | - | 134,424 | 101,667 | - | 101,667 |
| Building | 936,282 | (405,483) | 530,799 | 836,370 | (382,076) | 454,294 |
| | 1,070,706 | (405,483) | 665,223 | 938,037 | (382,076) | 555,961 |
| **Group** | | | | | | |
| Land | 144,385 | - | 144,385 | 111,628 | - | 111,628 |
| Building | 1,914,488 | (796,448) | 1,118,040 | 1,814,576 | (727,557) | 1,087,019 |
| | 2,058,873 | (796,448) | 1,262,425 | 1,926,204 | (727,557) | 1,198,647 |

### 32.10 Revaluation of freehold properties

The following freehold land and buildings of the Bank were revalued by professionally qualified independent valuers and taken into account as at 31st December 2012.

| | | | 2012 | | | | | |
|---|---|---|---|---|---|---|---|---|
| Name of premises | Valuer | Basis of valuation | Cost of Land LKR '000 | Revalued amount of land LKR '000 | Surplus/ (loss) of land LKR '000 | Written down value of buildings LKR '000 | Revalued value of buildings LKR '000 | Surplus/ (loss) of buildings LKR '000 |
| Alawwa Branch 64, Giriulla Road, Alawwa | SN Wijepala | Market Value Method | 4,000 | 42,000 | 38,000 | 3,839 | 18,000 | 14,161 |
| Nugegoda Branch 174, Highlevel Road, Nugegoda, | PMB Edmund | Contractors Method | 95,000 | 229,000 | 134,000 | 28,064 | 102,000 | 73,936 |
| 28 St. Michael's Road, Cololmbo 03 | PPT Mohideen | Market Value Method | 23,311 | 130,500 | 107,189 | - | - | - |
| Grand Pass Branch 703, Sirimavo Bandaranaike Mw, Grandpass, Colombo 14 | KB Herath | Market Value Method | 12,000 | 59,000 | 47,000 | 8,367 | 26,000 | 17,633 |
| Wadduwa Branch 557A, Galle Road, Wadduwa | GJ Sumanasena | Market Value Method | 3,179 | 18,850 | 15,671 | - | - | - |
| Galle Province Office 2, Light House Street, Fort, Galle | SN Wijepala | Market Value Method | 4,000 | 49,000 | 45,000 | 7,537 | 18,000 | 10,463 |
| Total | | | 141,490 | 528,350 | 386,860 | 47,807 | 164,000 | 116,193 |

### 32.11 Revaluation of buildings on leasehold land

#### 32.11.1 Bank

The following buildings on leasehold land were revalued by professionally qualified independent valuers as at 31st December 2012 and the revaluation surplus of LKR 193.3 million was recognised in the Financial Statements of the year 2012.

**32. PROPERTY, PLANT AND EQUIPMENT (Contd.)**

**32.11 Revaluation of buildings on leasehold land (Contd.)**

The details of the revaluation is given below :

| Name of premises | Valuer | Basis of valuation | Cost of buildings LKR '000 | Net book value LKR '000 | Revalued amount LKR '000 | Surplus/ (loss) LKR '000 |
|---|---|---|---|---|---|---|
| **CENTRAL PROVINCE** | | | | | | |
| Digana Branch | RH Jayawardana | Constructors' basis | 30,522 | 13,742 | 3,630 | (10,112) |
| Dambulla Branch | TB Balasuriya | Constructors' basis | 45,613 | 42,215 | 20,000 | (22,215) |
| Matale Branch & Manager Quarters | RH Jayawardana | Constructors' basis | 18,110 | 5,640 | 92,874 | 87,234 |
| Ududumbara Branch | RH Jayawardana | Constructors' basis | 8,101 | 3,049 | 21,000 | 17,951 |
| | | | 102,346 | 64,646 | 137,504 | 72,858 |
| **EASTERN PROVINCE** | | | | | | |
| Kanthale City Branch | RWMSB Rajapakshe | Constructors' basis | 7,150 | 4,190 | 12,500 | 8,310 |
| | | | 7,150 | 4,190 | 12,500 | 8,310 |
| **NORTH CENTRAL PROVINCE** | | | | | | |
| Mihintale Branch | S Sivaskantha | Constructors' basis | 7,877 | 4,125 | 12,250 | 8,125 |
| | | | 7,877 | 4,125 | 12,250 | 8,125 |
| **SABARAGAMUWA PROVINCE** | | | | | | |
| Avissawella Branch | AG Gunarathna | Depreciated Replacement Cost Method | 10,928 | 3,367 | 21,425 | 18,058 |
| Embilipitiya Branch & Staff Quarters | AG Gunarathna | Depreciated Replacement Cost Method | 10,446 | 2,865 | 19,086 | 16,221 |
| Kuruwita Branch | AG Gunarathna | Depreciated Replacement Cost Method | 11,877 | 6,631 | 19,450 | 12,819 |
| Nivitigala Branch | AG Gunarathna | Depreciated Replacement Cost Method | 6,294 | 2,142 | 15,470 | 13,328 |
| | | | 39,545 | 15,005 | 75,431 | 60,426 |
| **SOUTHERN PROVINCE** | | | | | | |
| Hikkaduwa Branch | KTD Tissera | Constructors' basis | 6,600 | 2,108 | 16,000 | 13,892 |
| Koggala Branch | KTD Tissera | Constructors' basis | 7,850 | 3,210 | 14,000 | 10,790 |
| Tissamaharama Branch | KTD Tissera | Constructors' basis | 11,891 | 5,341 | 22,500 | 17,159 |
| | | | 26,341 | 10,659 | 52,500 | 41,841 |
| **WESTERN PROVINCE NORTH** | | | | | | |
| Hulftsdorp Branch | PPT Mohideen | Constructors' basis | 25,748 | 15,902 | 25,000 | 9,098 |
| Kolonnawa Branch | WMSB Rajapakshe | Constructors' basis | 44,780 | 43,634 | 50,000 | 6,366 |
| Kadawatha Branch (New city) | S Sivaskantha | Constructors' basis | 32,550 | 31,080 | 13,000 | (18,080) |
| | | | 103,078 | 90,616 | 88,000 | (2,616) |
| **WESTERN PROVINCE SOUTH** | | | | | | |
| Bandaragama Branch | S Sivaskantha | Constructors' basis | 20,316 | 13,690 | 18,000 | 4,310 |
| | | | 306,653 | 202,931 | 396,185 | 193,254 |

**32.11.2 Group**

The following buildings on leasehold lands of the Subsidiaries were revalued by professionally qualified independent valuers.

| Name of premises | Valuer | Basis of valuation | Cost LKR '000 | Revalued value of buildings LKR '000 | Surplus/ (loss) of buildings LKR '000 |
|---|---|---|---|---|---|
| **Property Development PLC** | | | | | |
| Bank of Ceylon Head Quarters Building BOC Square, Colombo 01 (Revalued as at 31.12.2011) | M/S PB Kalugalagedara & Associates | Market Value Method | 1,270,671 | 4,644,000 | 947,467 |
| **BOC Property Development & Management (Pvt) Limited** | | | | | |
| Bank of Ceylon - Ceybank House No.86, Sri Dalada Veediya, Kandy (Revalued as at 31.12.2010) | M/S PB Kalugalagedara & Associates | Market Value Method | 262,888 | 317,250 | 47,494 |
| | | | | 4,961,250 | 994,961 |

## 32. PROPERTY, PLANT AND EQUIPMENT (Contd.)

### 32.12 Equipment

#### 32.12.1 Bank

| | Computer equipment LKR '000 | Furniture & fittings LKR '000 | Office equipment LKR '000 | Power plant LKR '000 | 2012 Total LKR '000 | 2011 Total LKR '000 |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| Balance as at 1st January | 3,886,189 | 1,931,246 | 1,593,771 | - | 7,411,206 | 6,866,014 |
| Additions during the year | | | | | | |
| Acquisitions | 244,728 | 283,853 | 183,257 | - | 711,838 | 737,746 |
| Capitalizations | - | 1,058 | - | - | 1,058 | - |
| Disposals during the year | (46,038) | (28,630) | (24,972) | - | (99,640) | (227,790) |
| Transfers to office equipment | - | - | - | - | - | 49,552 |
| Adjustments / transfers | - | (133) | (149) | - | (282) | (364) |
| Exchange rate adjustments | 7,930 | 965 | 940 | - | 9,835 | (13,952) |
| Balance as at 31st December | 4,092,809 | 2,188,359 | 1,752,847 | - | 8,034,015 | 7,411,206 |
| **Accumulated depreciation** | | | | | | |
| Balance as at 1st January | 3,133,127 | 1,123,505 | 1,019,357 | - | 5,275,989 | 4,863,566 |
| Charge for the year | 293,050 | 185,334 | 136,585 | - | 614,969 | 605,296 |
| Disposals during the year | (46,036) | (31,170) | (21,662) | - | (98,868) | (227,019) |
| Transfers to office equipment | - | - | - | - | - | 45,746 |
| Exchange rate adjustments | 5,850 | 1,244 | 339 | - | 7,433 | (11,600) |
| Balance as at 31st December | 3,385,991 | 1,278,913 | 1,134,619 | - | 5,799,523 | 5,275,989 |
| **Net book value as at 31st December 2012** | 706,818 | 909,446 | 618,228 | - | 2,234,492 | - |
| **Net book value as at 31st December 2011** | 839,590 | 637,224 | 516,714 | - | - | 2,135,217 |

#### 32.12.2 Group

| | Computer equipment LKR '000 | Furniture & fittings LKR '000 | Office equipment LKR '000 | Power plant LKR '000 | 2012 Total LKR '000 | 2011 Total LKR '000 |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| Balance as at 1st January | 4,151,514 | 2,220,843 | 1,670,149 | - | 8,042,506 | 7,443,765 |
| Additions during the year | | | | | | |
| Acquisitions | 292,948 | 359,892 | 200,725 | - | 853,565 | 807,034 |
| Capitalizations | - | 1,058 | - | 295,354 | 296,412 | - |
| Disposals during the year | (46,343) | (29,368) | (27,441) | - | (103,152) | (240,158) |
| Revaluation | | | | | | |
| Revaluation surplus | 3,863 | 36,259 | 1,790 | - | 41,912 | - |
| Depreciation on revalued assets | (3,301) | (45,941) | (1,753) | - | (50,995) | - |
| Transfers to office equipment | - | - | - | - | - | 49,552 |
| Adjustments / transfers | - | (133) | (149) | - | (282) | (3,994) |
| Exchange rate adjustments | 9,035 | 2,261 | 940 | - | 12,236 | (13,693) |
| Balance as at 31st December | 4,407,716 | 2,544,871 | 1,844,261 | 295,354 | 9,092,202 | 8,042,506 |
| **Accumulated depreciation** | | | | | | |
| Balance as at 1st January | 3,342,315 | 1,327,140 | 1,066,696 | - | 5,736,151 | 5,290,554 |
| Charge for the year | 319,233 | 210,770 | 144,046 | 9,772 | 683,821 | 654,548 |
| Transfers of accumulated depreciation on revalued assets | (3,301) | (45,941) | (1,753) | - | (50,995) | - |
| Disposals during the year | (46,328) | (31,755) | (22,445) | - | (100,528) | (237,256) |
| Transfers to office equipment | - | - | - | - | - | 45,746 |
| Adjustments / transfers | (306) | (7,098) | - | - | (7,404) | (12,157) |
| Exchange rate adjustments | 6,101 | 1,384 | 339 | - | 7,824 | (5,284) |
| Balance as at 31st December | 3,617,714 | 1,454,500 | 1,186,883 | 9,772 | 6,268,869 | 5,736,151 |
| **Net book value as at 31st December 2012** | 790,002 | 1,090,371 | 657,378 | 285,582 | 2,823,333 | - |
| **Net book value as at 31st December 2011** | 762,489 | 824,410 | 538,598 | - | - | 2,306,355 |

**32. PROPERTY, PLANT AND EQUIPMENT (Contd.)**

**32.13 Freehold land and building**

The details of freehold land and buildings held by the Bank as at 31st December 2012 are as follows:

| Name of premises | Extent (Perches) | Building (Square feet) | Cost or revalued amount of land LKR '000 | Cost or revalued amount of building LKR '000 | Total value LKR '000 | Accumulated depreciation LKR '000 | Written down value LKR '000 |
|---|---|---|---|---|---|---|---|
| **CENTRAL PROVINCE** | | | | | | | |
| Galaha Branch<br>59/37, Deltota Road, Galaha | 15.00 | 6,340 | 1,991 | 7,174 | 9,165 | 424 | 8,741 |
| Gampola Branch<br>44, Kadugannawa Road, Gampola | 175.00 | 9,270 | 74,836 | 11,146 | 85,982 | 1,108 | 84,874 |
| Hatton Branch<br>46, Circular Road, Hatton | 85.65 | 8,784 | 86,667 | 13,333 | 100,000 | 666 | 99,334 |
| Hatton Staff Quarters<br>Hatton | 40.00 | 5,560 | 33,962 | 11,038 | 45,000 | 552 | 44,448 |
| Kandy 2nd City Branch<br>22, Dalada Veediya, Kandy | 42.81 | 9,017 | 182,170 | 17,830 | 200,000 | 1,426 | 198,574 |
| Maskeliya Branch<br>66, Upcot Road, Maskeliya | 42.05 | 6,402 | 24,659 | 10,341 | 35,000 | 518 | 34,482 |
| Nawalapitiya Branch<br>6, Gampola Road, Nawalapitiya | 15.00 | 6,317 | 13,000 | 12,000 | 25,000 | 1,200 | 23,800 |
| Nuwara Eliya Branch<br>43, Lawson Street, Nuwara Eliya | 133.50 | 13,645 | 309,867 | 40,531 | 350,398 | 2,020 | 348,378 |
| Nuwara Eliya Staff Quarters<br>14,19, Hill Street, Nuwara Eliya | 53.69 | 5,086 | 33,778 | 6,222 | 40,000 | 1,244 | 38,756 |
| Nuwara Eliya Property<br>12, Hill Street, Nuwara Eliya | 27.54 | 3,070 | 58,712 | 3,788 | 62,500 | 190 | 62,310 |
| Talawakele Branch<br>29, Hatton Road, Talawakelle | 25.30 | 5,045 | 12,454 | 6,158 | 18,612 | 606 | 18,006 |
| Talawakele Staff Quarters<br>Talawakele Estate Plantation | 160.00 | 4,898 | 7,747 | 11,253 | 19,000 | 562 | 18,438 |
| | | | 839,843 | 150,814 | 990,657 | 10,516 | 980,141 |
| **EASTERN PROVINCE** | | | | | | | |
| Batticaloa Branch<br>Covington Road, Batticaloa | 65.00 | 8,137 | 19,209 | 12,295 | 31,504 | 963 | 30,541 |
| Mutur Branch<br>38, Batticaloa Road, Mutur | 40.27 | 2,226 | 4,626 | 1,189 | 5,815 | 476 | 5,339 |
| Potuvil Branch<br>Main Street, Pottuvil | 10.70 | 4,976 | 4,722 | 14,844 | 19,566 | 723 | 18,843 |
| Trincomalee Branch<br>24, Inner Harbour Road, Trincomalee | 90.00 | 9,432 | 34,450 | 15,670 | 50,120 | 2,089 | 48,031 |
| Valachchenai Branch<br>Main Street, Valachchenai | 47.34 | 6,391 | 19,953 | 12,047 | 32,000 | 804 | 31,196 |
| | | | 82,960 | 56,045 | 139,005 | 5,055 | 133,950 |
| **NORTHERN PROVINCE** | | | | | | | |
| Jaffna Branch / Province Office<br>56, Stanley Road, Jaffna | 164.27 | 17,075 | 64,749 | 25,251 | 90,000 | 1,668 | 88,332 |
| Mannar Branch<br>52, Pallimunai Road, Grand Bazaar, Mannar | 63.22 | 5,720 | 5,570 | 7,290 | 12,860 | 930 | 11,930 |
| Nelliadi Branch<br>Thikkam Road, Karaveddy, Nelliady | 42.74 | - | 16,000 | - | 16,000 | - | 16,000 |
| | | | 86,319 | 32,541 | 118,860 | 2,598 | 116,262 |

**32. PROPERTY, PLANT AND EQUIPMENT (Contd.)**

**32.13 Freehold land and building (Contd.)**

The details of freehold land and buildings held by the Bank as at 31st December 2012 are as follows:

| Name of premises | Extent (Perches) | Building (Square Feet) | Cost or revalued amount of land LKR '000 | Cost or revalued amount of building LKR '000 | Total value LKR '000 | Accumulated depreciation LKR '000 | Written down value LKR '000 |
|---|---|---|---|---|---|---|---|
| **NORTH WESTERN PROVINCE** | | | | | | | |
| Alawwa Branch<br>64, Giriulla Road, Alawwa | 31.80 | 7,305 | 42,000 | 18,000 | 60,000 | - | 60,000 |
| Chilaw Branch<br>Radaguru Edmund Peiris Mawatha, Chilaw | 43.50 | 3,640 | 38,750 | 12,029 | 50,779 | 798 | 49,981 |
| Dummalasooriya Branch<br>227, Kuliyapitiya - Madampe Road, Dummalasuriya | 41.80 | 5,353 | 7,460 | 7,540 | 15,000 | 376 | 14,624 |
| Kurunegala AGM's Quarters<br>18, Mihindu Mawatha, Kurunegala | 225.00 | 17,210 | 126,402 | 21,103 | 147,505 | 1,388 | 146,117 |
| Kurunegala Branch<br>Commercial Complex, Kurunegala | - | 15,100 | - | 41,513 | 41,513 | 2,695 | 38,818 |
| Kurunegala Bazaar Branch<br>34, Colombo Road, Kurunegala | 53.00 | 8,915 | 102,555 | 23,062 | 125,617 | 1,318 | 124,299 |
| Madampe Branch<br>10, Station Road, Madampe | 61.10 | 6,565 | 11,994 | 10,506 | 22,500 | 526 | 21,974 |
| Madurankuliya Branch<br>No 66 , Colombo Road, Madurankuliya | 279.00 | 5,650 | 13,200 | 33,825 | 47,025 | 1,501 | 45,524 |
| Narammala Branch<br>139, Negombo Road, Narammala | 117.50 | 5,970 | 38,437 | 6,563 | 45,000 | 656 | 44,344 |
| | | | 380,798 | 174,141 | 554,939 | 9,258 | 545,681 |
| **SABARAGAMUWA PROVINCE** | | | | | | | |
| Balangoda Branch<br>137, Main Street, Balangoda | 14.50 | 3,556 | 18,643 | 1,357 | 20,000 | 194 | 19,806 |
| Dehiowita Branch<br>62 Main Street, Dehiowita | 38.60 | 2,088 | 3,498 | 1,502 | 5,000 | 76 | 4,924 |
| Kegalle Branch<br>110, Colombo Road, Kegalle | 131.38 | 18,023 | 80,250 | 19,869 | 100,119 | 1,464 | 98,655 |
| Ratnapura Branch<br>6, Dharmapala Mawatha, Ratnapura | 100.00 | 9,013 | 49,000 | 12,018 | 61,018 | 961 | 60,057 |
| Ratnapura Branch<br>58, Main Street, Ratnapura | 31.69 | - | 28,000 | - | 28,000 | - | 28,000 |
| | | | 179,391 | 34,746 | 214,137 | 2,695 | 211,442 |
| **SOUTHERN PROVINCE** | | | | | | | |
| Ambalangoda Branch<br>274, Main Street, Ambalangoda | 58.00 | 5,500 | 40,000 | 39,830 | 79,830 | 1,851 | 77,979 |
| Ambalantota Branch<br>11 Wanduruppa Road, Ambalantota | 38.00 | 6,041 | 8,369 | 10,600 | 18,969 | 509 | 18,460 |
| Beliatta Branch<br>Beliatta | 32.00 | - | 20,383 | - | 20,383 | - | 20,383 |
| Galle Province Office<br>2, Light House Street, Fort, Galle | 32.63 | 13,060 | 49,000 | 18,000 | 67,000 | - | 67,000 |
| Galle Branch<br>2, Gamini Road, Galle | 31.50 | 12,570 | 49,940 | 15,661 | 65,601 | 1,540 | 64,061 |
| Hakmana Branch<br>Beliatta Road, Hakmana | 36.70 | 3,250 | 5,282 | 3,968 | 9,250 | 226 | 9,024 |
| Imaduwa Branch<br>Ahangama Road, Imaduwa | 83.50 | 2,300 | 12,838 | 2,662 | 15,500 | 166 | 15,334 |
| Matara Branch<br>11, Kumaratunga Mawatha, Matara | 104.50 | 13,514 | 47,220 | 12,780 | 60,000 | 1,281 | 58,719 |
| Matara City Branch<br>Gunawardena Mawatha, Matara | 49.25 | 6,347 | 43,000 | 43,986 | 86,986 | 183 | 86,803 |
| Nagoda Branch<br>Nagoda | 43.00 | - | 9,359 | - | 9,359 | - | 9,359 |
| Tangalle Branch<br>No. 145/147, Sea Street, Tangalle | 21.05 | 6,629 | 12,500 | 38,799 | 51,299 | 162 | 51,137 |
| Weligama Branch<br>239, Main Street, Weligama | 97.50 | 8,500 | 16,835 | 14,165 | 31,000 | 708 | 30,292 |
| | | | 314,726 | 200,451 | 515,177 | 6,626 | 508,551 |

**32. PROPERTY, PLANT AND EQUIPMENT (Contd.)**

**32.13 Freehold land and building (Contd.)**

The details of freehold land and buildings held by the Bank as at 31st December 2012 are as follows:

| Name of premises | Extent (Perches) | Building (Square feet) | Cost or revalued amount of land LKR '000 | Cost or revalued amount of building LKR '000 | Total value LKR '000 | Accumulated depreciation LKR '000 | Written down value LKR '000 |
|---|---|---|---|---|---|---|---|
| **UVA PROVINCE** | | | | | | | |
| Badulla Uva Province Office<br>Bank Road, Badulla | 118.75 | 9,048 | 15,000 | 10,000 | 25,000 | 500 | 24,500 |
| Bandarawela Branch<br>198 B, Badulla Road, Bandarawela | 9.52 | 7,731 | 17,973 | 17,167 | 35,140 | 857 | 34,283 |
| Haputale Branch<br>20, Station Road, Haputale | 35.00 | 4,775 | 18,577 | 5,327 | 23,904 | 530 | 23,374 |
| Monaragala Branch & Managers' Quarters<br>401, Wellawaya Road, Moneragala | 90.10 | 9,033 | 30,000 | 34,000 | 64,000 | 1,700 | 62,300 |
| Monaragala Staff Quarters<br>401, Wellawaya Road, Moneragala | 230.00 | 3,042 | 18 | 440 | 458 | 394 | 64 |
| | | | 81,568 | 66,934 | 148,502 | 3,981 | 144,521 |
| **WESTERN PROVINCE NORTH** | | | | | | | |
| Borella Branch<br>71, Danister de Silva Mawatha, Borella | 42.62 | 19,195 | 136,700 | 48,300 | 185,000 | 2,416 | 182,584 |
| City Office<br>41, Bristol Street, Colombo 1 | 39.50 | 24,952 | 211,000 | 89,000 | 300,000 | 4,450 | 295,550 |
| York Street Building<br>York Street, Colombo 01 | 181.85 | 232,801 | 660,328 | 739,750 | 1,400,078 | 36,985 | 1,363,093 |
| Gampaha Branch<br>No. 170, Colombo Road, Gampaha | 34.06 | - | 58,446 | - | 58,446 | - | 58,446 |
| Grand Pass Branch<br>703, Sirimavo Bandaranaike Mawatha, Grandpass | 20.12 | 6,295 | 59,000 | 26,000 | 85,000 | - | 85,000 |
| Ja Ela Branch<br>19, Negombo Road, Ja-ela | 40.64 | 8,090 | 58,594 | 16,931 | 75,525 | 833 | 74,692 |
| Kadawatha Branch<br>469, Ragama Road, Kadawatha | 28.86 | 6,181 | 22,420 | 14,030 | 36,450 | 702 | 35,748 |
| Negombo Branch<br>118, Rajapakse Broadway, Negombo | 97.25 | 16,754 | 103,988 | 34,662 | 138,650 | 1,733 | 136,917 |
| Pettah Branch<br>212/63, Gas Work Street, Colombo 11 | 28.29 | 24,530 | 177,978 | 22,022 | 200,000 | 1,762 | 198,238 |
| | | | 1,488,454 | 990,695 | 2,479,149 | 48,881 | 2,430,268 |

**32. PROPERTY, PLANT AND EQUIPMENT (Contd.)**

**32.13 Freehold land and building (Contd.)**

The details of freehold land and buildings held by the Bank as at 31st December 2012 are as follows:

| Name of premises | Extent (Perches) | Building (Square feet) | Cost or revalued amount of land LKR '000 | Cost or revalued amount of building LKR '000 | Total value LKR '000 | Accumulated depreciation LKR '000 | Written down value LKR '000 |
|---|---|---|---|---|---|---|---|
| **WESTERN PROVINCE SOUTH** | | | | | | | |
| Aluthgama Branch<br>267, Galle Road, Aluthgama | 36.60 | 6,960 | 23,000 | 37,159 | 60,159 | 1,098 | 59,061 |
| Bambalapitiya Branch<br>No.10, Unity Plaza Building Galle Road, Colombo 4 | - | 7,776 | - | 110,000 | 110,000 | 5,500 | 104,500 |
| Beruwala Branch<br>No.165A, Galle Road, Beruwala | 21.50 | 5,418 | 28,173 | 9,827 | 38,000 | 492 | 37,508 |
| Dehiwala Branch<br>207, Galle Road, Dehiwela | 22.00 | 12,715 | 71,120 | 28,880 | 100,000 | 1,444 | 98,556 |
| Horana Branch<br>87, Anguruwathota Road, Horana | 70.00 | 8,078 | 52,478 | 8,224 | 60,702 | 610 | 60,092 |
| Idama Branch<br>707, Galle Road, Moratuwa | 61.12 | 7,550 | 55,938 | 14,812 | 70,750 | 718 | 70,032 |
| Kalutara Area Office<br>108, Old Road, Kalutara | 22.50 | 3,060 | 10,283 | 967 | 11,250 | 242 | 11,008 |
| Kalutara Branch<br>218, Galle Road, Kalutara South, Kalutara | 40.86 | 9,885 | 58,229 | 11,771 | 70,000 | 942 | 69,058 |
| Maharagama Branch<br>No.88, Highlevel Road, Maharagama | 80.00 | 45,245 | 171,364 | 82,829 | 254,193 | 5,478 | 248,715 |
| Matugama Branch<br>No72, Agalawatte Road, Matugama | 9.50 | 2,883 | 10,391 | 6,168 | 16,559 | 657 | 15,902 |
| Nugegoda Branch<br>174, Highlevel Road, Nugegoda, | 30.50 | 38,108 | 229,000 | 102,000 | 331,000 | - | 331,000 |
| Panadura Branch<br>No.4, Super Grade Branch,<br>Susantha Mawatha, Panadura | 80.00 | 6,490 | 48,447 | 12,612 | 61,059 | 945 | 60,114 |
| Wadduwa Branch<br>557A, Galle Road, Wadduwa | 29.00 | - | 18,850 | - | 18,850 | - | 18,850 |
| Wellawatte Branch<br>149, Galle Road, Colombo 6 | 51.25 | 15,798 | 184,500 | 40,500 | 225,000 | 2,024 | 222,976 |
| | | | 961,773 | 465,749 | 1,427,522 | 20,150 | 1,407,372 |
| **HOLIDAY HOMES & RESTS** | | | | | | | |
| Badulla Fernham Bungalow & Property<br>153, Spring Valley Road, Badulla | 222.25 | 4,580 | 14,400 | 3,600 | 18,000 | 480 | 17,520 |
| Bandarawela Holiday Home<br>Bandarawela | 115.00 | 3,028 | 45 | 2,201 | 2,246 | 1,391 | 855 |
| Dickoya Upper / lower Glencarn Bungalow<br>Dickoya | 260.00 | 7,807 | 4,000 | 24,000 | 28,000 | 1,920 | 26,080 |
| Haputale Woodland Bungalow<br>Haputale | 120.00 | 3,005 | 8,120 | 3,880 | 12,000 | 388 | 11,612 |
| Lindula Ridge Holiday Home<br>Lindula | 175.00 | 3,412 | 1,250 | 3,750 | 5,000 | 300 | 4,700 |
| Nuwara Eliya Holiday Home<br>16, Hill Street, Nuwara Eliya | 185.06 | 3,388 | 30,116 | 6,884 | 37,000 | 344 | 36,656 |
| | | | 57,931 | 44,315 | 102,246 | 4,823 | 97,423 |
| **OTHERS** | | | | | | | |
| General Manager's Bungalow<br>75, Ananda Kumaraswamy Mw, Colombo 7 | 79.80 | 7,450 | 315,250 | 4,750 | 320,000 | 474 | 319,526 |
| Colombo Darly Road Stores Browns Building<br>497, T B Jayah Mawatha, Colombo 10 | 151.00 | 22,337 | 590,000 | 15,000 | 605,000 | 750 | 604,250 |
| World Trade Centre<br>8, Bank of Ceylon Mw, Colombo 1 | - | 6,935 | - | 115,000 | 115,000 | 5,750 | 109,250 |
| 28 St. Michael's Road,<br>Cololmbo 03 | 57.00 | - | 130,500 | - | 130,500 | - | 130,500 |
| Maharagama - Central Training Institute<br>No.88, Highlevel Road, Maharagama | 105.10 | 36,775 | 171,362 | 75,121 | 246,483 | 5,006 | 241,477 |
| | | | **1,207,112** | **209,871** | **1,416,983** | **11,980** | **1,405,003** |
| **Total freehold land and building** | | | **5,680,875** | **2,426,302** | **8,107,177** | **126,563** | **7,980,614** |

## 33. LEASEHOLD PROPERTIES

| | Bank | | Group | |
|---|---|---|---|---|
| | 2012 LKR '000 | 2011 LKR '000 | 2012 LKR '000 | 2011 LKR '000 |
| **Cost** | | | | |
| Balance as at 1st January | 90,584 | 90,179 | 156,817 | 156,412 |
| Additions during the year | 10,551 | 360 | 10,551 | 360 |
| Adjustments / transfers | (432) | 45 | (432) | 45 |
| Balance as at 31st December | 100,703 | 90,584 | 166,936 | 156,817 |
| **Accumulated amortisation** | | | | |
| Balance as at 1st January | 14,314 | 12,664 | 39,441 | 36,434 |
| Amortisation during the year | 1,845 | 1,605 | 3,203 | 2,962 |
| Adjustments / transfers | (432) | 45 | (432) | 45 |
| Balance as at 31st December | 15,727 | 14,314 | 42,212 | 39,441 |
| Net book value | 84,976 | 76,270 | 124,724 | 117,376 |

Leasehold properties 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.

## 34. INTANGIBLE ASSETS

| | Bank | | Group | |
|---|---|---|---|---|
| | 2012 LKR '000 | 2011 LKR '000 | 2012 LKR '000 | 2011 LKR '000 |
| **Cost** | | | | |
| Balance as at 1st January | 1,787,043 | 1,518,614 | 1,900,970 | 1,564,651 |
| Additions during the year | 153,783 | 275,283 | 166,401 | 342,517 |
| Disposals during the year | (10,619) | (6,854) | (10,619) | (6,854) |
| Exchange rate adjustment | - | - | 11,057 | - |
| Adjustments / transfers | - | - | 969 | 656 |
| Balance as at 31st December | 1,930,207 | 1,787,043 | 2,068,778 | 1,900,970 |
| **Accumulated amortisation** | | | | |
| Balance as at 1st January | 1,444,204 | 1,354,788 | 1,487,741 | 1,394,614 |
| Amortisation during the year | 120,620 | 96,270 | 129,589 | 99,981 |
| Disposals during the year | (10,619) | (6,854) | (10,619) | (6,854) |
| Exchange rate adjustment | - | - | 112 | - |
| Balance as at 31st December | 1,554,205 | 1,444,204 | 1,606,823 | 1,487,741 |
| Net book value | 376,002 | 342,839 | 461,955 | 413,229 |

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.

### 34.1 Fully depreciated intangible assets

The initial cost of fully depreciated intangible assets which are still in use as follows;

| As at 31st December | Bank | | Group | |
|---|---|---|---|---|
| | 2012 LKR '000 | 2011 LKR '000 | 2012 LKR '000 | 2011 LKR '000 |
| Computer software | 1,362,870 | 1,209,123 | 1,363,236 | 1,209,123 |

## 35. DEFERRED TAX (ASSETS) / LIABILITIES

The following table shows deferred tax recorded on the statement of financial position and charge / (reversal) recorded in the income tax expense.

| As at 31st December | 2012 | | | | 2011 | | | |
|---|---|---|---|---|---|---|---|---|
| | Deferred tax assets LKR '000 | Deferred tax liabilities LKR '000 | Income statement LKR '000 | Other comprehensive income LKR '000 | Deferred tax assets LKR '000 | Deferred tax liabilities LKR '000 | Income statement LKR '000 | Other comprehensive income LKR '000 |
| **35.1 Bank** | | | | | | | | |
| Retirement benefits | - | (172,220) | (56,442) | - | - | (115,777) | 3,095 | - |
| Impairment allowance for loans and advances | - | (890,683) | - | - | - | (890,683) | 409,447 | - |
| Revaluation of property, plant and equipment | - | 310,062 | - | 86,654 | - | 223,408 | - | 223,408 |
| Other temporary differences | | 1,104,120 | (74,200) | - | - | 1,178,320 | 555,675 | - |
| | - | 351,279 | (130,642) | 86,654 | - | 395,268 | 968,217 | 223,408 |
| **35.2 Group** | | | | | | | | |
| Retirement benefits | (73,042) | (172,218) | (53,183) | - | (76,300) | (115,777) | 24,766 | - |
| Impairment allowance for loans and advances | - | (890,683) | - | - | - | (890,683) | - | - |
| Revaluation of property, plant and equipment | - | 1,489,716 | - | 86,654 | - | 1,450,590 | - | 488,699 |
| Other temporary differences | - | 1,272,797 | (90,293) | - | - | 1,315,560 | 748,544 | - |
| | (73,042) | 1,699,612 | (143,476) | 86,654 | (76,300) | 1,759,690 | 773,310 | 488,699 |

## 36. OTHER ASSETS

| As at 31st December | Bank | | Group | |
|---|---|---|---|---|
| | 2012 LKR '000 | 2011 LKR '000 | 2012 LKR '000 | 2011 LKR '000 |
| Consumable stock in hand | 356,606 | 312,973 | 476,341 | 444,026 |
| Pre-paid staff cost | 6,687,879 | 6,585,103 | 6,687,879 | 6,585,103 |
| Cheque in transit - Foreign | 70,576 | 107,902 | 70,576 | 107,902 |
| Cheque in transit - Local | 1,349,691 | 1,427,793 | 1,349,690 | 1,427,792 |
| Other | 8,337,017 | 9,749,056 | 9,614,654 | 10,560,731 |
| | 16,801,769 | 18,182,827 | 18,199,140 | 19,125,554 |

## 37. DUE TO BANKS

| | | | | |
|---|---|---|---|---|
| Call money borrowings | 9,702,675 | 4,501,102 | 9,817,675 | 4,935,907 |
| Deposits from other banks | 280,579 | 1,871,709 | 280,579 | 1,996,773 |
| Bank overdrafts | 144,729 | 135,022 | 231,256 | 1,424,653 |
| | 10,127,983 | 6,507,833 | 10,329,510 | 8,357,333 |

## 38. DERIVATIVE FINANCIAL INSTRUMENTS

| | | | | |
|---|---|---|---|---|
| Forward exchange contracts | 74,314 | 987,775 | 74,314 | 987,775 |
| | 74,314 | 987,775 | 74,314 | 987,775 |

## 39. DUE TO CUSTOMERS

### 39.1 By product

| | | | | |
|---|---|---|---|---|
| **Local currency deposits** | | | | |
| Current account deposits | 60,787,802 | 67,052,815 | 60,602,161 | 66,611,106 |
| Current account deposits with Islamic banking | 148,485 | 141,892 | 148,485 | 141,892 |
| Savings deposits | 166,119,426 | 160,960,763 | 166,547,817 | 161,538,268 |
| Savings deposits with Islamic banking | 1,575,624 | 657,981 | 1,575,624 | 657,981 |
| Time deposits | 278,752,460 | 207,940,895 | 284,294,209 | 213,042,829 |
| Certificates of deposit | 4,401 | 4,650 | 14,496 | 17,582 |
| Other deposits | 2,008,636 | 1,632,395 | 2,008,636 | 1,632,545 |
| | 509,396,834 | 438,391,391 | 515,191,428 | 443,642,203 |
| **Foreign currency deposits** | | | | |
| Current account deposits | 15,798,381 | 20,729,155 | 16,145,168 | 21,032,146 |
| Savings deposits | 53,938,646 | 50,654,713 | 54,396,188 | 50,976,963 |
| Savings deposits with Islamic banking | 35,000 | 5,643 | 35,000 | 5,643 |
| Time deposits | 112,015,617 | 85,010,041 | 112,144,853 | 86,766,637 |
| Other deposits | 2,256,164 | 982,795 | 2,256,165 | 982,834 |
| | 184,043,808 | 157,382,347 | 184,977,374 | 159,764,223 |
| **Total deposits** | 693,440,642 | 595,773,738 | 700,168,802 | 603,406,426 |

## 39. DUE TO CUSTOMERS (Contd.)

| As at 31st December | Bank 2012 LKR '000 | Bank 2011 LKR '000 | Group 2012 LKR '000 | Group 2011 LKR '000 |
|---|---|---|---|---|
| **39.2 By currency** | | | | |
| Sri Lankan Rupee | 509,396,834 | 438,391,392 | 515,191,428 | 443,642,203 |
| United States Dollar | 125,279,704 | 107,867,455 | 125,352,731 | 107,943,647 |
| Great Britain Pound | 26,965,671 | 21,947,775 | 27,817,777 | 22,559,290 |
| Maldevian Rufiyaa | 11,369,119 | 9,788,722 | 11,369,119 | 9,788,722 |
| Euro | 9,334,684 | 8,037,302 | 9,343,117 | 9,731,471 |
| Australian Dollar | 7,740,463 | 6,664,654 | 7,740,463 | 6,664,654 |
| Indian Rupee | 1,956,065 | 1,684,201 | 1,956,065 | 1,684,201 |
| Other | 1,398,102 | 1,392,237 | 1,398,102 | 1,392,238 |
| | 693,440,642 | 595,773,738 | 700,168,802 | 603,406,426 |

Note : The maturity analysis of deposits is given in Note No. 54.

## 40. OTHER BORROWINGS

| | | | | |
|---|---|---|---|---|
| Senior notes | 63,907,449 | - | 63,907,449 | - |
| Term borrowings from banks abroad | 107,390,071 | 64,640,143 | 111,817,254 | 64,685,521 |
| Term borrowings from banks & other financial institutions in Sri Lanka | 17,970,416 | 18,504,182 | 24,645,134 | 22,791,251 |
| Refinance borrowings | 5,221,607 | 5,568,349 | 5,221,607 | 5,568,349 |
| Securities sold under repurchase agreements | 39,305,972 | 49,676,258 | 39,549,235 | 50,314,441 |
| | 233,795,515 | 138,388,932 | 245,140,679 | 143,359,562 |
| **40.1 Maturity of borrowings** | | | | |
| Not later than 1 year | 145,253,200 | 106,553,055 | 156,047,218 | 110,343,649 |
| Later than 1 year and not later than 5 years | 87,255,301 | 30,066,146 | 87,806,448 | 31,246,182 |
| Later than 5 years | 1,287,014 | 1,769,731 | 1,287,013 | 1,769,731 |
| | 233,795,515 | 138,388,932 | 245,140,679 | 143,359,562 |

## 41. DEBT SECURITIES ISSUED

| | | | | |
|---|---|---|---|---|
| Senior debentures | 23,296,349 | 25,236,518 | 24,481,798 | 26,429,041 |
| | 23,296,349 | 25,236,518 | 24,481,798 | 26,429,041 |
| **Listed debentures** | | | | |
| Secured , redeemable debentures of Rs. 100 each | - | - | 913,340 | 869,067 |
| **Unlisted debentures** | | | | |
| Unsecured, redeemable debentures of Rs. 100 each (private placement) | 23,296,349 | 25,236,518 | 23,489,204 | 25,429,269 |
| Secured , redeemable debentures of Rs. 100 each (private placement) | - | - | 79,254 | 130,705 |
| **Total debentures** | 23,296,349 | 25,236,518 | 24,481,798 | 26,429,041 |
| **41.1 The movement in senior debentures are as follows:** | | | | |
| Balance as at 1st January | 25,236,518 | 26,623,370 | 26,429,041 | 27,369,072 |
| Issued during the year | 3,400,000 | - | 3,400,000 | 1,000,000 |
| Redemptions | (5,735,284) | (1,211,744) | (5,787,550) | (1,650,122) |
| Exchange rate, amortization and other adjustments | 395,115 | (175,108) | 440,307 | (289,909) |
| Balance as at 31st December | 23,296,349 | 25,236,518 | 24,481,798 | 26,429,041 |

## 41. DEBT SECURITIES ISSUED (Contd.)

### 41.2 Types of senior debentures

| | Interest payable frequency | Issue date | Maturity date | Coupon rate 2012 % | Coupon rate 2011 % | Bank 2012 LKR '000 | Bank 2011 LKR '000 | Group 2012 LKR '000 | Group 2011 LKR '000 |
|---|---|---|---|---|---|---|---|---|---|
| **A- Sri Lanka rupee debentures** | | | | | | | | | |
| **Fixed interest rate** | | | | | | | | | |
| Unsecured, redeemable debentures | Annually | 01.07.2010 | 01.07.2015 | 13.20 | 13.20 | 1,063,602 | 1,063,602 | 1,063,602 | 1,063,602 |
| Unsecured, redeemable debentures | Annually | 14.07.2010 | 14.07.2015 | 13.20 | 13.20 | 2,118,737 | 2,118,737 | 2,118,737 | 2,118,737 |
| Unsecured, redeemable debentures | Semi annually | 31.07.2010 | 31.07.2013 | 13.00 | 13.00 | - | - | 82,569 | 82,563 |
| Unsecured, redeemable debentures | Semi annually | 31.08.2010 | 31.08.2013 | 13.00 | 13.00 | - | - | 103,220 | 103,225 |
| Unsecured, redeemable debentures | Annually | 17.09.2010 | 17.09.2015 | 11.00 | 11.00 | 1,472,780 | 1,472,780 | 1,472,780 | 1,472,780 |
| Unsecured, redeemable debentures | Semi annually | 18.06.2012 | 18.06.2017 | 14.75 | - | 1,286,404 | - | 1,286,404 | - |
| Unsecured, redeemable debentures | Annually | 07.12.2012 | 07.12.2017 | 15.50 | - | 2,140,654 | - | 2,140,654 | - |
| Secured, redeemable debentures | Semi annually | 16.11.2011 | 16.11.2014 | 11.60 | 11.60 | - | - | 630,665 | 598,398 |
| Secured, redeemable debentures | Semi annually | 16.11.2011 | 16.11.2015 | 11.80 | 11.80 | - | - | 282,675 | 270,669 |
| | | | | | | 8,082,177 | 4,655,119 | 9,181,306 | 5,709,974 |

| | Notes | Interest payable frequency | Issue date | Maturity date | Coupon rate 2012 % | Coupon rate 2011 % | Bank 2012 LKR '000 | Bank 2011 LKR '000 | Group 2012 LKR '000 | Group 2011 LKR '000 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Floating interest rate** | | | | | | | | | | |
| Unsecured, redeemable, debentures (12 months TB rate (Gross)) | (b) | Annually | 10.01.2007 | 10.01.2012 | - | 8.39 | - | 1,622,692 | - | 1,622,692 |
| Unsecured, redeemable, debentures (12 months TB rate (Gross)) | (b) | Annually | 12.03.2007 | 12.03.2012 | - | 8.14 | - | 1,064,925 | - | 1,064,925 |
| Unsecured, redeemable, debentures (12 months TB rate (Gross) plus 50 basis points) | (b) | Annually | 03.10.2007 | 03.10.2012 | - | 8.62 | - | 1,019,905 | - | 1,019,905 |
| Unsecured, redeemable, debentures (12 months TB rate (Gross) plus 50 basis points) | (b) | Annually | 01.11.2007 | 01.11.2012 | - | 8.77 | - | 1,520,822 | - | 1,520,822 |
| Unsecured, redeemable, debentures (12 months TB rate (Gross) plus 50 basis points) | (b) | Annually | 01.11.2007 | 01.11.2012 | - | 8.77 | - | 506,941 | - | 506,941 |
| Unsecured, redeemable, debentures (12 months TB rate (Gross) plus 50 basis points) | (b) | Annually | 01.04.2008 | 01.04.2013 | 13.08 | 8.61 | 548,289 | 531,834 | 548,289 | 531,834 |
| Unsecured, redeemable, debentures (12 months TB rate (Gross) plus 50 basis points) | (b) | Annually | 01.04.2008 | 01.04.2013 | 13.08 | 8.61 | 1,644,866 | 1,595,503 | 1,644,866 | 1,595,503 |
| Unsecured, redeemable debentures (6 months TB rate (Gross) plus 200 basis points) | (a) | Semi annually | 31.03.2010 | 31.03.2013 | 13.07 | 11.64 | - | - | 7,024 | 6,963 |
| Unsecured, redeemable, debentures (12 months TB rate (Gross) plus 150 basis points) | (b) | Annually | 03.08.2010 | 03.08.2015 | 16.11 | 9.56 | 5,527,289 | 5,398,991 | 5,527,289 | 5,398,991 |
| Unsecured, redeemable, debentures (12 months TB rate (Gross) plus 150 basis points) | (b) | Annually | 03.08.2010 | 03.08.2015 | 16.11 | 9.56 | 1,860,145 | 1,816,968 | 1,860,145 | 1,816,968 |
| Unsecured, redeemable debentures (12 months TB rate (Gross) plus 150 basis points) | (b) | Annually | 03.08.2010 | 03.08.2015 | 16.11 | 9.56 | 5,633,583 | 5,502,818 | 5,633,583 | 5,502,818 |
| Secured, redeemable, debentures (12 months TB rate (Gross) plus 150 basis points) | (b) | Semi annually | 10.01.2010 | 10.01.2012 | 11.20 | 11.20 | - | - | - | 26,133 |
| Secured, redeemable, debentures (12 months TB rate (Gross) plus 150 basis points) | (b) | Semi annually | 10.01.2010 | 10.07.2012 | 11.20 | 11.20 | - | - | - | 26,133 |
| Secured, redeemable, debentures (12 months TB rate (Gross) plus 150 basis points) | (b) | Semi annually | 10.01.2010 | 10.01.2013 | 11.20 | 11.20 | - | - | 26,418 | 26,133 |
| Secured, redeemable, debentures (12 months TB rate (Gross) plus 150 basis points) | (b) | Semi annually | 10.01.2010 | 10.07.2013 | 11.20 | 11.20 | - | - | 26,418 | 26,133 |
| Secured, redeemable, debentures (12 months TB rate (Gross) plus 150 basis points) | (b) | Semi annually | 10.01.2010 | 10.01.2014 | 11.20 | 11.20 | - | - | 26,418 | 26,133 |
| Secured, redeemable, debentures (6 months TB rate (Gross) plus 160 basis points) | (a) | Semi annually | 16.11.2011 | 16.11.2014 | 11.03 | 9.76 | - | - | 42 | 40 |
| | | | | | | | 15,214,172 | 20,581,399 | 15,300,492 | 20,719,067 |
| **Total debentures** | | | | | | | 23,296,349 | 25,236,518 | 24,481,798 | 26,429,041 |

**Notes :**

(a) 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.

(b) 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.

## 42. INSURANCE PROVISION

| | Group | |
|---|---|---|
| | 2012 LKR '000 | 2011 LKR '000 |
| **42.1 Insurance provision - life** | | |
| Balance as at 1st January | 115,210 | 78,681 |
| Increase / (decrease) in life fund | 48,291 | 40,262 |
| Fair value reserve | (565) | (4,437) |
| Unclaimed benefits | 3,151 | 704 |
| Balance as at 31st December | 166,087 | 115,210 |
| **42.2 Insurance provision - non life** | | |
| Provision for reported claims by policy holders | 46,432 | 41,898 |
| Provision for claims on Incurred but not Reported (IBNR) | 16,089 | 7,809 |
| Outstanding claims provision | 62,521 | 49,707 |
| Provision for unearned premiums | 508,547 | 293,141 |
| Balance as at 31st December | 571,068 | 342,848 |

## 43. OTHER LIABILITIES

| As at 31st December | Bank | | Group | |
|---|---|---|---|---|
| | 2012 LKR '000 | 2011 LKR '000 | 2012 LKR '000 | 2011 LKR '000 |
| Cheques sent on clearing | 712,274 | 490,629 | 712,274 | 490,629 |
| Lease creditors | | | | |
| Within 12 months | 6,180 | 9,456 | 10,994 | 9,456 |
| Later than 12 months | 7,544 | 13,724 | 15,614 | 13,724 |
| Employee benefit liabilities [Note 44] | 1,153,175 | 2,386,811 | 1,392,402 | 2,587,180 |
| Other | 8,276,369 | 8,233,803 | 9,727,817 | 9,301,285 |
| **Total other liabilities** | 10,155,542 | 11,134,423 | 11,859,101 | 12,402,274 |

## 44. CONTRIBUTIONS TO DEFINED BENEFIT PLANS

The Bank has a Pension Scheme established under an Industrial Award which is solely funded by the Bank. There is also a Widows' / Widowers' & Orphans' Pension Scheme established by the members. Both these funds have been closed to new entrants from 1st 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 to the audit of the Bank, by a firm/s of Chartered Accountants appointed by the members and actuarial valuations are carried out at least once in three years, as per the rules governing these funds.

| | Bank | | Group | |
|---|---|---|---|---|
| | 2012 LKR '000 | 2011 LKR '000 | 2012 LKR '000 | 2011 LKR '000 |
| **44.1 Retirement benefit Plan-Pension Fund** | | | | |
| Balance as at 1st January | 1,589,788 | 2,886,977 | 1,589,788 | 2,886,977 |
| Provision / (reversal) during the period | (484,795) | (379,151) | (484,795) | (379,151) |
| Actuarial gains / (losses) | (246,038) | (918,038) | (246,038) | (918,038) |
| Balance as at 31st December | 858,955 | 1,589,788 | 858,955 | 1,589,788 |

## 44. CONTRIBUTIONS TO DEFINED BENEFIT PLANS (Contd.)

### 44.1.1 Bank of Ceylon Pension Trust Fund

An actuarial valuation of the Pension Fund as at 31st December 2012 was carried out by Messers Piyal S Goonetilleke and Associates. The valuation has been done using the "Projected Unit Credit Method", which is recommended in the Sri Lanka Accounting Standard - LKAS 19 "Employee Benefits". The benefit is available to all permanent employees who have joined the Bank prior to 1st January 1996. The results of the actuarial valuation of the Pension Trust Fund is summarised as follows:

| As at 31st December | | 2012 LKR '000 | 2011 LKR '000 |
|---|---|---|---|
| (a) | **Net benefit expense (recognised under personnel expense)** | | |
| | Current service cost | 768,588 | 718,128 |
| | Interest cost on benefit obligation | 4,888,390 | 4,731,327 |
| | Interest income on plan assets | (4,451,297) | (4,216,555) |
| | Net benefit expense | 1,205,681 | 1,232,900 |
| (b) | **Retirement benefit assets** | | |
| | Fair value of plan assets | 48,989,562 | 46,525,530 |
| | Defined benefit obligation | (49,848,517) | (48,115,318) |
| | Retirement benefit assets | (858,955) | (1,589,788) |
| (c) | **Changes in fair value of plan assets are as follows:** | | |
| | Opening fair value of plan assets | 46,525,530 | 43,708,160 |
| | Income on plan assets | 4,451,297 | 4,216,555 |
| | Actual employer contribution | 1,690,476 | 1,612,051 |
| | Benefits paid | (3,715,265) | (2,847,714) |
| | Actuarial gains / (losses) on plan assets | 37,524 | (163,522) |
| | Closing fair value of plan assets | 48,989,562 | 46,525,530 |
| (d) | **Changes in the present value of the defined benefit obligation are as follows:** | | |
| | Opening defined benefit obligation | 48,115,318 | 46,595,137 |
| | Interest cost | 4,888,390 | 4,731,327 |
| | Current service cost | 768,588 | 718,128 |
| | Benefits paid | (3,715,265) | (2,847,714) |
| | (Gain) / loss due to change in assumptions | (1,030,121) | - |
| | Actuarial (gains) / losses on obligation | 821,607 | (1,081,560) |
| | Closing defined benefit obligation | 49,848,517 | 48,115,318 |
| (e) | **Actuarial assumptions** | | |
| | Future salary increment rate | 7.00% p.a | 7.00% p.a |
| | Increase in future Cost of Living Allowance (COLA) | 6.50% p.a | 6.50% p.a |
| | Increase in pension in payment (Basic) | Nil | Nil |
| | Discount rate | 10.25% p.a | 10.00% p.a |
| | Rate of return on plan assets | 10.00% p.a | 10.00% p.a |
| | Attrition rate | Nil | Nil |

| | | Bank | | Group | |
|---|---|---|---|---|---|
| | | 2012 LKR '000 | 2011 LKR '000 | 2012 LKR '000 | 2011 LKR '000 |
| 44.2 | **Bank of Ceylon Widows' / Widowers' and Orphans' Pension Fund** | | | | |
| | Balance as at 1st January | 548,728 | 779,178 | 548,728 | 779,178 |
| | Provision / (reversal) during the period | (363,196) | (272,927) | (363,196) | (272,927) |
| | Actuarial gains / (losses) | 19,204 | 260,429 | 19,204 | 260,429 |
| | Participants contributions | (204,736) | (217,952) | (204,736) | (217,952) |
| | Balance as at 31st December | - | 548,728 | - | 548,728 |

**44. CONTRIBUTIONS TO DEFINED BENEFIT PLANS (Contd.)**

**44.2.1 Bank of Ceylon Widows' / Widowers' and Orphans' Pension Fund**

An actuarial valuation of the Widows' / Widowers' and Orphans' Pension Fund as at 31st December 2012 was carried out by Messers Piyal S Goonetilleke and Associates. The valuation has been done using the "Projected Unit Credit Method", which is recommended in the Sri Lanka Accounting Standard - LKAS 19 "Employee Benefits". The results of the actuarial valuation of the Fund is summarised as follows:

| As at 31st December | | 2012 LKR '000 | 2011 LKR '000 |
|---|---|---|---|
| (a) | **Net benefit expense (recognised under personnel expense)** | | |
| | Current service cost | 79,055 | 75,526 |
| | Interest cost on benefit obligation | 1,146,788 | 1,119,793 |
| | Interest income on planned assets | (1,133,040) | (1,012,246) |
| | Net benefit expense | 92,803 | 183,073 |
| (b) | **Retirement benefit assets** | | |
| | Fair value of plan assets | 12,976,539 | 11,565,283 |
| | Defined benefit obligation | (12,363,460) | (12,114,011) |
| | Retirement benefit assets | 613,079 | (548,728) |
| | The above retirement benefit asset have not been recognised in the Financial Statements. | | |
| (c) | **Changes in fair value of plan assets are as follows:** | | |
| | Opening fair value of plan assets | 11,565,283 | 10,343,228 |
| | Interest income on planned assets | 1,133,040 | 1,012,246 |
| | Contribution paid in to plan | 204,736 | 217,952 |
| | Accrual employe contribution | 456,000 | 456,000 |
| | Benefits paid | (436,164) | (407,549) |
| | Actuarial gains / (losses) on plan asset | 53,645 | (56,594) |
| | Closing fair value of plan assets | 12,976,540 | 11,565,283 |
| (d) | **Changes in the present value of the defined benefit obligations are as follows:** | | |
| | Opening defined benefit obligation | 12,114,011 | 11,122,406 |
| | Interest cost | 1,146,788 | 1,119,793 |
| | Current service cost | 79,055 | 75,526 |
| | Benefits paid | (436,164) | (407,549) |
| | (Gain) / loss due to change in assumptions | (396,963) | - |
| | Actuarial (gains) / losses on obligation | (143,267) | 203,835 |
| | Closing defined benefit obligation | 12,363,460 | 12,114,011 |
| (e) | **Acturial assumptions** | | |
| | Future salary increment rate | 7.00% p.a | 7.00% p.a |
| | Increase in future Cost of Living Allowance (COLA) | 6.50% p.a | 6.50% p.a |
| | Increase in Widows' / Widowers' and Orphans' Pension in payment (Basic) | Nil | Nil |
| | Discounting rate | 10.25% p.a | 10.00% p.a |
| | Rate of return on plan assets | 10.00% p.a | 10.00% p.a |
| | Attrition rate | Nil | Nil |

| | | Bank | | Group | |
|---|---|---|---|---|---|
| | | 2012 LKR '000 | 2011 LKR '000 | 2012 LKR '000 | 2011 LKR '000 |
| 44.3 | **Provision for gratuity** | | | | |
| | Balance as at 1st January | 248,295 | 186,890 | 448,664 | 323,555 |
| | Provision / (reversal) during the year | 51,439 | 39,572 | 102,047 | 107,824 |
| | Actuarial gains / (losses) | (72) | 24,178 | 1,150 | 26,352 |
| | Payment made during the year | (5,442) | (2,345) | (18,414) | (13,519) |
| | Adjustment / transfer | - | - | - | 4,452 |
| | Balance as at 31st December | 294,220 | 248,295 | 533,447 | 448,664 |
| | Total employee benefit liabilities | 1,153,175 | 2,386,811 | 1,392,402 | 2,587,180 |

## 44. CONTRIBUTIONS TO DEFINED BENEFIT PLANS (Contd.)

### 44.3.1 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 1st January 1996. Provision also includes those who have joined the Bank prior to 1st January 1996 and leave the Bank without being entitled to a pension.

An actuarial valuation of the Gratuity Fund as at 31st December 2012 was carried out by Messers Piyal S Goonetilleke and Associates 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 - LKAS 19 "Employee Benefits".

The results of the actuarial valuation of the Gratuity Fund indicates that LKR. 294.2 million as at 31st December 2012 (2011 : LKR. 248.3 million). The provision made by the Bank is adequate to meet its gratuity obligations in full.

The principal actuarial assumptions used in the valuation were as follows :

| | | 2012 | 2011 |
|---|---|---|---|
| (a) | **Actuarial assumptions** | | |
| | Future salary increment rate | 7.00% p.a | 7.00% p.a |
| | Increase in future Cost of Living Allowance (COLA) | 6.50% p.a | 6.50% p.a |
| | Discounting Rate | 10.25% p.a | 10.00% p.a |

## 45. SUBORDINATED TERM DEBTS

| As at 31st December | Bank | | Group | |
|---|---|---|---|---|
| | 2012 LKR '000 | 2011 LKR '000 | 2012 LKR '000 | 2011 LKR '000 |
| **Listed debentures** | | | | |
| Unsecured, subordinated, redeemable debentures of Rs. 100 each (public issue) | 20,727,241 | 14,563,286 | 20,710,722 | 14,551,830 |
| **Unlisted debentures** | | | | |
| Unsecured , subordinated redeemable debentures of Rs. 100 each (private placement) | 316,993 | 310,028 | 316,993 | 310,028 |
| Unsecured, subordinated, redeemable debentures of US$ 1,000 each (private placement) | 2,773,790 | 2,481,970 | 2,773,790 | 2,481,970 |
| **Total subordinated terms debts** | 23,818,024 | 17,355,284 | 23,801,505 | 17,343,828 |
| **45.1 The movement in subordinated term debts issued are as follows:** | | | | |
| Balance as at 1st January | 17,355,284 | 13,492,025 | 17,343,828 | 13,492,025 |
| Issued during the year | 6,000,000 | 5,000,000 | 6,000,000 | 5,000,000 |
| Redemptions | - | (1,278,919) | - | (1,278,918) |
| Exchange rate, amortisation and other adjustments | 462,740 | 142,178 | 457,677 | 130,721 |
| Balance as at 31st December | 23,818,024 | 17,355,284 | 23,801,505 | 17,343,828 |

### 45.2 Types of debentures

| | Notes | Interest payable frequency | Issue date | Maturity date | Coupon rate 2012 % | Coupon rate 2011 % | Bank 2012 LKR '000 | Bank 2011 LKR '000 | Group 2012 LKR '000 | Group 2011 LKR '000 |
|---|---|---|---|---|---|---|---|---|---|---|
| **A - Sri Lanka Rupee debentures** | | | | | | | | | | |
| **Fixed interest rate** | | | | | | | | | | |
| Unsecured, subordinated, redeemable debentures | (a) | Annually | 24.11.2008 | 24.11.2013 | 19.00 | 19.00 | 351,385 | 351,385 | 345,212 | 345,212 |
| Unsecured, subordinated, redeemable debentures | (a) | At maturity | 24.11.2008 | 24.11.2013 | - | - | 448,322 | 380,383 | 448,322 | 380,383 |
| Unsecured, subordinated, redeemable debentures | (a) | Annually | 28.06.2010 | 28.06.2015 | 11.50 | 11.50 | 1,135,783 | 1,135,783 | 1,130,499 | 1,130,499 |
| Unsecured, subordinated, redeemable debentures | (a) | Annually | 08.12.2011 | 08.12.2016 | 11.00 | 11.00 | 3,926,514 | 3,926,514 | 3,926,514 | 3,926,514 |
| Unsecured, subordinated, redeemable debentures | (a) | Semi annually | 08.12.2011 | 08.12.2016 | 10.50 | 10.50 | 2,315 | 2,315 | 2,315 | 2,315 |
| Unsecured, subordinated, redeemable debentures | (a) | Annually | 30.11.2012 | 29.11.2017 | 16.00 | - | 6,034,052 | - | 6,028,990 | - |
| Unsecured, subordinated, redeemable debentures | (a) | Semi annually | 30.11.2012 | 29.11.2017 | 15.25 | - | 40,189 | - | 40,189 | - |
| | | | | | | | 11,938,560 | 5,796,380 | 11,922,041 | 5,784,924 |

**45. SUBORDINATED TERM DEBTS (Contd.)**

**45.2 Type of debentures (Contd.)**

| | Notes | Interest payable frequency | Issue date | Maturity date | Coupon rate 2012 % | Coupon rate 2011 % | Bank 2012 LKR '000 | Bank 2011 LKR '000 | Group 2012 LKR '000 | Group 2011 LKR '000 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Floating interest rate** | | | | | | | | | | |
| Unsecured, subordinated, redeemable debentures (12 months TB rate (Gross) plus 100 basis points) | (c) | Annually | 15.08.2008 | 15.08.2013 | 15.64 | 9.06 | 316,993 | 310,028 | 316,993 | 310,028 |
| Unsecured, subordinated, redeemable debentures (6 months TB rate (Gross) plus 75 basis points) | (a)/(b) | Semi annually | 24.11.2008 | 24.11.2013 | 14.16 | 9.13 | 3,751,496 | 3,732,660 | 3,751,496 | 3,732,660 |
| Unsecured, subordinated, redeemable debentures (6 months TB rate (Gross) plus 75 basis points) | (a)/(b) | Semi annually | 28.06.2010 | 28.06.2015 | 13.33 | 10.26 | 3,929,437 | 3,929,570 | 3,929,437 | 3,929,570 |
| Unsecured, subordinated, redeemable debentures (6 months TB rate (Gross) plus 75 basis points) | (a)/(b) | Semi annually | 08.12.2011 | 08.12.2016 | 14.19 | 10.26 | 1,107,323 | 1,104,676 | 1,107,323 | 1,104,676 |
| Unsecured, subordinated, redeemable debentures (6 months TB rate (Gross) plus 125 basis points) | (a)/(b) | Semi annually | 30.11.2012 | 29.11.2017 | 14.68 | - | 425 | - | 425 | - |
| | | | | | | | 9,105,674 | 9,076,934 | 9,105,674 | 9,076,934 |
| **B - United State Dollar debentures** | | | | | | | | | | |
| **Fixed interest rate** | | | | | | | | | | |
| Unsecured, subordinated, redeemable debentures | | Semi annually | 10.10.2008 | 10.10.2013 | 5.50 | 5.50 | 30,918 | 27,673 | 30,918 | 27,673 |
| **Floating interest rate** | | | | | | | | | | |
| Unsecured, subordinated, redeemable debentures (6 months LIBOR Plus 300 basis points) | (d) | Semi annually | 10.10.2008 | 10.10.2013 | 3.62 | 3.58 | 2,742,872 | 2,454,297 | 2,742,872 | 2,454,297 |
| | | | | | | | 2,773,790 | 2,481,970 | 2,773,790 | 2,481,970 |
| **Total Debentures** | | | | | | | 23,818,024 | 17,355,284 | 23,801,505 | 17,343,828 |

**Notes :**

(a) Debentures that are listed in the Colombo Stock Exchange. Some of these have been traded in the Colombo Stock Exchange during the year 2012. 2008/2013 - (Highest price - Rs. 166.02/- , lowest price - Rs. 105.00/-, last transaction price - Rs. 166.02/-)

(b) 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.

(c) 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.

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

**46. SHARE CAPITAL**

| As at 31st December | Bank 2012 LKR '000 | Bank 2011 LKR '000 | Group 2012 LKR '000 | Group 2011 LKR '000 |
|---|---|---|---|---|
| **Authorised** | | | | |
| 50,000,000 ordinary shares | 50,000,000 | 50,000,000 | 50,000,000 | 50,000,000 |
| **Issued and fully paid** | | | | |
| Balance as at 1st January (5,000,000 ordinary shares) | 5,000,000 | 5,000,000 | 5,000,000 | 5,000,000 |
| Balance as at 31st December (5,000,000 ordinary shares) | 5,000,000 | 5,000,000 | 5,000,000 | 5,000,000 |

**47. PERMANENT RESERVE FUND**

| | | | | |
|---|---|---|---|---|
| Balance as at 1st January | 3,008,000 | 2,777,500 | 3,008,000 | 2,777,500 |
| Amount transferred during the year | 277,955 | 230,500 | 277,955 | 230,500 |
| Balance as at 31st December | 3,285,955 | 3,008,000 | 3,285,955 | 3,008,000 |

## 47. PERMANENT RESERVE FUND (Contd.)

The Permanent Reserve Fund is maintained as required by Bank of Ceylon Ordinance (Chapter 397) whereby the Bank must, out of net profit after taxation but before any dividend is declared, transfer to a reserve a sum equivalent to not less than 20% of such profit until the reserve is equivalent to 50% of the issued and paid up capital and thereafter, an appropriate amount determined at 2% per annum in terms of Section 20(1) and (2) of the Banking Act No. 30 of 1988 until the reserve is equal to the paid up capital.

In order to meet the requirement, an amount of LKR. 277.9 million was transferred to the reserve during the year (2011 : LKR. 230.5 million).

The balance in the permanent reserve fund will be used only for the purposes specified in the Section 20 (2) of the Banking Act No. 30 of 1988.

## 48. OTHER RESERVES

| As at 31st December | Bank | | Group | |
|---|---|---|---|---|
| | 2012 LKR '000 | 2011 LKR '000 | 2012 LKR '000 | 2011 LKR '000 |
| Investment fund account [Note 48.2] | 4,716,685 | 1,484,073 | 4,849,948 | 1,570,276 |
| Revaluation reserve [Note 48.4] | 5,222,314 | 4,612,661 | 8,367,737 | 7,716,172 |
| Primary dealer special risk reserve [Note 48.5] | 822,676 | 737,529 | 822,676 | 737,529 |
| Free reserve [Note 48.6] | 169,067 | 169,067 | 366,644 | 366,644 |
| Exchange translation reserve [Note 48.7] | 693,851 | 440,004 | 998,291 | 430,347 |
| Available for sale reserve [Note 48.8] | 3,403,188 | 4,169,463 | 3,970,915 | 4,987,494 |
| Statutory reserve - other [Note 48.9] | - | - | 244,915 | 219,555 |
| | 15,027,781 | 11,612,797 | 19,621,126 | 16,028,017 |

### 48.1 Investment Fund Account (IFA)

As per the guidelines issued by the Central Bank of Sri Lanka, based on Government budget proposals of 2011, every business in banking or financial services is required to establish and operate a fund, titled as "Investment Fund Account" with effect from 1st January 2011.

Accordingly , as and when the taxes are paid after 1st January 2011, the tax savings (5.0% of income tax and 8.0% of value added tax), is transferred to the IFA and utilisation of such fund is made as per the guidelines of the Central Bank of Sri Lanka.

| | Bank | | Group | |
|---|---|---|---|---|
| | 2012 LKR '000 | 2011 LKR '000 | 2012 LKR '000 | 2011 LKR '000 |
| **48.2 Movement in investment fund account** | | | | |
| Balance as at 1st January | 1,484,073 | - | 1,570,276 | - |
| Amount transferred during the year | 3,232,612 | 1,484,073 | 3,279,672 | 1,570,276 |
| Balance as at 31st December | 4,716,685 | 1,484,073 | 4,849,948 | 1,570,276 |

### 48.3 Utilisation of funds as at 31st December 2012 are as follows:

**(a) Loans granted**

The Bank funded the following infrastructure development projects initiated by Road Development Authority of Sri Lanka, utilizing the Investment Fund Account.

**Bank**

| | Loans granted for Road Development Authority | Length | Tenor | Rate of interest | Amount disbursed as at 31.12.2012 LKR '000 |
|---|---|---|---|---|---|
| 1. | Tennekumbura - Kandehandiya and Kandehandiya - Randenigala | 35.00 Km | 14 1/2 Years | 9.00% p.a. | 549,918 |
| 2. | Kesbewa - Kidelpitiya and Bandaragama | 11.78 Km | 14 1/2 Years | 9.00% p.a. | 315,558 |
| 3. | Polonnaruwa - Somawathiya Road | 33.00 Km | 14 1/2 Years | 9.00% p.a. | 918,436 |
| 4. | Galigamuwa - Ruwanwella Road | 29.21 Km | 14 1/2 Years | 9.00% p.a. | 508,446 |
| 5. | Bibile - Pitakumbura - Namaloya - Ingiriya | 18.00 Km | 14 1/2 Years | 9.00% p.a. | 670,750 |
| | | | | | 2,963,108 |

**Group**

**Hire purchase facility**

| | | | | | |
|---|---|---|---|---|---|
| | S Sivayogaraja - Pinkanda, Mahawila, Niwithigala | 109 Km | 5 Years | 10.85% p.a | 1,400 |

**48. OTHER RESERVES (Contd.)**

**48.3 Investment fund account (Contd.)**

**(b) Investments in treasury bills and treasury bonds**

Investment on treasury bills and treasury bonds made by the Bank and the Group are as follows:

| Purchasing date | Reference number | Maturity date | Interest rate | Period in days | Investment value Bank 2012 LKR '000 | Investment value Group 2012 LKR '000 |
|---|---|---|---|---|---|---|
| 21/08/2012 | 28780 | 25/02/2013 | 12.65% | 178 | 182,498 | 182,498 |
| 24/10/2012 | 35349 | 08/02/2013 | 10.35% | 107 | 8,893 | 8,893 |
| 26/10/2012 | 36109 | 01/02/2013 | 10.35% | 98 | 5,372 | 5,372 |
| 26/10/2012 | 36110 | 01/02/2013 | 10.35% | 98 | 185 | 185 |
| 26/10/2012 | 35746 | 08/02/2013 | 10.35% | 105 | 84,501 | 84,501 |
| 02/11/2012 | 36830 | 08/02/2013 | 10.35% | 98 | 42,875 | 42,875 |
| 02/11/2012 | 36829 | 01/02/2013 | 10.35% | 91 | 22,953 | 22,953 |
| 09/11/2012 | 37776 | 22/02/2013 | 10.35% | 105 | 6,309 | 6,309 |
| 09/11/2012 | 37777 | 22/02/2013 | 10.35% | 105 | 90,000 | 90,000 |
| 16/11/2012 | 38935 | 01/02/2013 | 10.35% | 77 | 438,157 | 438,157 |
| 16/11/2012 | 38936 | 08/02/2013 | 10.35% | 84 | 195,335 | 195,335 |
| 16/11/2012 | 38937 | 08/02/2013 | 10.35% | 84 | 185,568 | 185,568 |
| 16/11/2012 | 38938 | 15/02/2013 | 10.35% | 91 | 21,817 | 21,817 |
| 16/11/2012 | 38952 | 08/02/2013 | 10.35% | 84 | 58,600 | 58,600 |
| 20/11/2012 | 38991 | 15/02/2013 | 10.35% | 87 | 97,586 | 97,586 |
| 20/11/2012 | 38992 | 08/03/2013 | 10.65% | 105 | 25,722 | 25,722 |
| 21/11/2012 | 39016 | 15/02/2013 | 10.35% | 86 | 228,290 | 228,290 |
| 26/12/2012 | 43035 | 22/03/2013 | 10.00% | 86 | 39,077 | 39,077 |
| 26/12/2012 | 43036 | 22/03/2013 | 10.00% | 86 | 31,592 | 31,592 |
| 17/10/2011 | LKB01019E016 | 01/05/2019 | 8.92% | 2753 | - | 23,000 |
| 02/07/2012 | LKB01019E017 | 01/05/2019 | 14.29% | 2494 | - | 23,300 |
| 24/01/2012 | LKB001022418 | 01/01/2021 | 8.00% | 3630 | - | 178,242 |
| | | | | | 1,765,330 | 1,989,872 |

| | Bank 2012 LKR '000 | Bank 2011 LKR '000 | Group 2012 LKR '000 | Group 2011 LKR '000 |
|---|---|---|---|---|
| **48.4 Revaluation reserve** | | | | |
| Balance as at 1st January | 4,612,661 | 125,299 | 7,716,172 | 2,593,295 |
| Net surplus on revaluation of properties | 696,307 | 4,710,770 | 738,219 | 5,611,576 |
| Deferred tax effect on revaluation gain | (86,654) | (223,408) | (86,654) | (488,699) |
| Balance as at 31st December | 5,222,314 | 4,612,661 | 8,367,737 | 7,716,172 |

The revaluation reserve represents the surpluses arising on the revaluation of freehold properties which are still in use.

According to the regulatory directives, the Bank can consider the revaluation surplus once in every seven years which will be used as supplementary capital the computing Capital Adequacy Ratio

| | Bank 2012 LKR '000 | Bank 2011 LKR '000 | Group 2012 LKR '000 | Group 2011 LKR '000 |
|---|---|---|---|---|
| **48.5 Primary dealer special risk reserve** | | | | |
| Balance as at 1st January | 737,529 | 698,972 | 737,529 | 698,972 |
| Amount transferred during the year | 85,147 | 38,557 | 85,147 | 38,557 |
| Balance as at 31st December | 822,676 | 737,529 | 822,676 | 737,529 |

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.

## 48. OTHER RESERVES (Contd.)

| | Bank | | Group | |
|---|---|---|---|---|
| | 2012 LKR '000 | 2011 LKR '000 | 2012 LKR '000 | 2011 LKR '000 |
| **48.6 Free reserve** | | | | |
| Balance as at 1st January | 169,067 | 169,067 | 366,644 | 366,644 |
| Balance as at 31st December | 169,067 | 169,067 | 366,644 | 366,644 |

Free reserve has been created for unforeseeable risk and future losses.

| | | | | |
|---|---|---|---|---|
| **48.7 Exchange translation reserve** | | | | |
| Balance as at 1st January | 440,004 | 570,545 | 430,347 | 565,745 |
| Exchange differences on translation of foreign operation | 253,847 | (130,541) | 567,944 | (135,398) |
| Balance as at 31st December | 693,851 | 440,004 | 998,291 | 430,347 |

This represents the exchange difference arising from translating investments made in the capital and net exchange movement arising on the translation of net equity of overseas subsidiary and 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.

| | Bank | | Group | |
|---|---|---|---|---|
| | 2012 LKR '000 | 2011 LKR '000 | 2012 LKR '000 | 2011 LKR '000 |
| **48.8 Available for sale reserve** | | | | |
| Balance as at 1st January | 4,169,463 | 6,001,624 | 4,987,494 | 6,429,916 |
| Impairment during the year - Available for sale investments | (766,275) | (1,832,161) | (1,016,579) | (1,442,422) |
| Balance as at 31st December | 3,403,188 | 4,169,463 | 3,970,915 | 4,987,494 |
| **48.9 Statutory reserve - other** | | | | |
| Balance as at 1st January | - | - | 219,555 | 140,383 |
| Amount transferred during the year | - | - | 25,360 | 79,172 |
| Balance as at 31st December | - | - | 244,915 | 219,555 |

Statutory reserve - other represents the reserve funds maintained by Merchant Bank of Sri Lanka PLC in terms of Direction No. 05 of 2006 issued by the Central Bank of Sri Lanka under Section No.34 of the Finance Leasing Act No. 56 of 2000 and MCSL Financial Services Limited terms of Direction No. 01 of 2003 issued by the Central Bank of Sri Lanka under Section No.46 of the Finance Companies Act No. 23 of 1991.

## 49. NOTES TO THE STATEMENT OF CASH FLOWS

| For the year ended 31st December | Bank | | Group | |
|---|---|---|---|---|
| | 2012 LKR '000 | 2011 LKR '000 | 2012 LKR '000 | 2011 LKR '000 |
| **49.1 Change in operating assets** | | | | |
| Change in deposits with regulatory authorities | 259,410 | (4,580,686) | 259,410 | (4,580,686) |
| Loans and advances given to customers | (145,165,465) | (170,057,229) | (147,658,957) | (174,200,717) |
| Net (increase) / decrease in financial assets - Held for trading | 24,350,848 | 5,067,427 | 27,768,288 | 4,489,015 |
| Net (increase) / decrease in reverse repurchase agreements | 297,537 | 39,758,235 | 206,398 | 39,232,964 |
| Net (increase) / decrease in derivative financial instruments | (444,240) | 176,570 | (444,240) | 176,569 |
| Change in other operating assets | 4,665,015 | (3,062,687) | 3,963,174 | (4,262,964) |
| | (116,036,895) | (132,698,370) | (115,905,927) | (139,145,819) |
| **49.2 Change in operating liabilities** | | | | |
| Increase in deposits from banks | 3,610,443 | 5,312,016 | 2,662,019 | 5,627,970 |
| Increase in deposits from customers | 89,720,130 | 63,964,215 | 88,815,601 | 64,535,515 |
| Net increase / (decrease) in securities sold under repurchase agreements | (10,360,110) | (4,411,320) | (10,755,030) | (2,704,346) |
| Net increase / (decrease) in short term borrowings | (3,281,079) | 14,620,759 | (893,430) | 12,598,146 |
| Net increase / (decrease) in derivative financial instruments | (913,461) | 829,921 | (913,461) | 829,921 |
| Change in other operating liabilities | 3,616,387 | 1,825,243 | 4,272,613 | 3,371,467 |
| | 82,392,310 | 82,140,834 | 83,188,312 | 84,258,673 |

## 49. NOTES TO THE STATEMENT OF CASH FLOWS (Contd.)

| For the year ended 31st December | Bank 2012 LKR '000 | Bank 2011 LKR '000 | Group 2012 LKR '000 | Group 2011 LKR '000 |
|---|---|---|---|---|
| **49.3 Other non cash items included in profit before tax** | | | | |
| Exchange revaluation | (2,180,503) | (691,399) | (2,180,503) | (691,399) |
| Contribution to defined benefit plans | 1,349,923 | 1,455,545 | 1,400,531 | 1,523,797 |
| Loan impairment charges | 4,116,282 | (1,442,262) | 4,211,739 | (1,312,876) |
| Depreciation of property, plant and equipment | 838,051 | 815,088 | 1,170,529 | 1,086,922 |
| Amortisation of intangible assets and leasehold lands | 122,465 | 97,875 | 132,792 | 102,943 |
| Accrual for expenses and other non cash items | 3,485,938 | 2,118,836 | 3,369,771 | 2,305,614 |
| | 7,732,156 | 2,353,683 | 8,104,859 | 3,015,001 |

## 50. COMMITMENTS AND CONTINGENCIES

### 50.1 Undrawn and undisbursed facilities

The unutilised value of irrevocable commitments which cannot be withdrawn at the discretion, without risk of incurring significant penalties or expenses are as follows :

| As at 31st December | Bank 2012 LKR '000 | Bank 2011 LKR '000 | Group 2012 LKR '000 | Group 2011 LKR '000 |
|---|---|---|---|---|
| Undisbursed amount of loans | 25,145,376 | 9,046,628 | 25,166,997 | 9,346,895 |
| Undrawn limits of overdrafts | 27,635,501 | 21,799,592 | 27,764,196 | 21,799,592 |
| Undrawn limits of credit cards | 4,237,586 | 4,025,773 | 4,237,586 | 4,025,773 |
| Undrawn limits of letter of credit | 24,053,336 | 19,300,023 | 24,053,336 | 19,300,023 |
| Undrawn limits of letter of guarantee | 54,457,812 | 38,319,177 | 54,457,812 | 38,319,177 |
| Commitments for unutilized facilities | 135,529,611 | 92,491,193 | 135,679,927 | 92,791,460 |

### 50.2 Contingent liabilities

In the normal course of business, the Bank undertakes commitments and incurs contingent liabilities with legal recourse to its customers to accommodate the financial and investment needs of clients, to conduct trading activities, and to manage its own exposure to risk . These 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 :

| As at 31st December | Bank 2012 LKR '000 | Bank 2011 LKR '000 | Group 2012 LKR '000 | Group 2011 LKR '000 |
|---|---|---|---|---|
| Acceptances and documentary credit | 145,792,017 | 167,646,665 | 146,152,422 | 167,745,989 |
| Bills for collection | 3,624,194 | 3,145,921 | 3,624,194 | 3,145,921 |
| Forward exchange contracts | 81,604,962 | 72,188,498 | 81,604,962 | 72,188,498 |
| Guarantees | 84,232,029 | 70,916,410 | 84,307,270 | 71,194,312 |
| Other commitments | 76,662 | 111,520 | 119,664 | 472,706 |
| | 315,329,864 | 314,009,014 | 315,808,512 | 314,747,426 |

### 50.3 Capital commitments

Capital expenditure approved by the Directors for which no provision has been made in the Financial Statements, amounts to:

| As at 31st December | Bank 2012 LKR '000 | Bank 2011 LKR '000 | Group 2012 LKR '000 | Group 2011 LKR '000 |
|---|---|---|---|---|
| **50.3.1 Capital commitments in relation to property, plant & equipment** | | | | |
| Approved and contracted for | 847,554 | 1,435,730 | 847,554 | 1,465,272 |
| Approved and not contracted for | 2,264,518 | 387,000 | 2,264,518 | 387,000 |
| | 3,112,072 | 1,822,730 | 3,112,072 | 1,852,272 |
| **50.3.2 Capital commitments in relation to intangible assets** | | | | |
| Approved and contracted for | 16,776 | 102,386 | 57,384 | 166,386 |
| Approved and not contracted for | 422,500 | - | 422,500 | - |
| | 439,276 | 102,386 | 479,884 | 166,386 |
| **Total capital commitments** | 3,551,348 | 1,925,116 | 3,591,956 | 2,018,658 |

## 50. COMMITMENTS AND CONTINGENCIES (Contd.)

### 50.4 Lease commitments

#### 50.4.1 Operating lease commitments

Future minimum lease payments under non cancellable operating leases where the Bank is the lessee are as follows;

| As at 31st December | Bank | | Group | |
|---|---|---|---|---|
| | 2012 LKR '000 | 2011 LKR '000 | 2012 LKR '000 | 2011 LKR '000 |
| Not later than 1 year | 506,034 | 767,681 | 506,034 | 767,681 |
| Later than 1 year and not later than 5 years | 227,846 | 519,001 | 227,846 | 519,001 |
| Later than 5 years | 22,388 | 11,983 | 22,388 | 11,983 |
| | 756,268 | 1,298,665 | 756,268 | 1,298,665 |

#### 50.4.2 Financing lease commitments

Future minimum lease payments under non cancellable financing leases where the Bank is the lessee are as follows;

| As at 31st December | Bank | | Group | |
|---|---|---|---|---|
| | 2012 LKR '000 | 2011 LKR '000 | 2012 LKR '000 | 2011 LKR '000 |
| Not later than 1 year | 6,180 | 9,456 | 10,994 | 9,456 |
| Later than 1 year and not later than 5 years | 7,544 | 13,724 | 15,614 | 13,724 |
| | 13,724 | 23,180 | 26,608 | 23,180 |
| **Total lease commitments** | 769,992 | 1,321,845 | 782,876 | 1,321,845 |

### 50.5 Commitments and contingencies - Summary

| | | | | |
|---|---|---|---|---|
| Total undrawn and undisbursed facilities | 135,529,611 | 92,491,193 | 135,679,927 | 92,791,460 |
| Total contingent liabilities | 315,329,864 | 314,009,014 | 315,808,512 | 314,747,426 |
| Total capital commitment | 3,551,348 | 1,925,116 | 3,591,956 | 2,018,658 |
| Total lease commitment | 769,992 | 1,321,845 | 782,876 | 1,321,845 |
| | 455,180,815 | 409,747,168 | 455,863,271 | 410,879,389 |

## 51. LITIGATION

The Bank and its Group companies are involved in various legal actions in the ordinary course of business. The Group has an established controls for dealing with such legal claims. Once professional advice has been obtained on the certainty of the outcome and the amount of losses reasonably estimated, the Group make adjustments to Financial Statements for any adverse effects which the claims may have on its financial standing.

At year end, the Group had several unresolved legal claims. While the outcome of these matters are inherently uncertain, management believes that none of these outstanding matters are material, either individually or in aggregate.

## 52. 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.

| As at 31st December | Bank | | Group | |
|---|---|---|---|---|
| | 2012 LKR '000 | 2011 LKR '000 | 2012 LKR '000 | 2011 LKR '000 |
| Securities sold under repurchase agreements | 39,305,972 | 49,676,258 | 39,549,235 | 50,314,441 |
| Refinance purposes | - | - | 2,122,746 | 1,382,592 |
| | 39,305,972 | 49,676,258 | 41,671,981 | 51,697,033 |
| Secured by ; | | | | |
| Treasury bills held by the Bank / Group | 668,670 | 11,013,601 | 933,853 | 14,020,616 |
| Treasury bonds held by the Bank / Group | 42,663,515 | 42,583,150 | 42,663,515 | 42,583,150 |
| Lease / hire purchase rental receivables | - | - | 2,122,746 | 1,382,592 |
| | 43,332,185 | 53,596,751 | 45,720,114 | 57,986,358 |

## 53. EVENTS AFTER THE REPORTING DATE

**Mergers of Subsidiaries**

The Bank has commenced two merger initiatives for it's subsidiaries. Firstly the Ceylease Limited in which the Bank has 55% stake will be merged with MCSL Financial Services Limited in which the Bank holds 49% directly and 36.79% indirectly through Bank 's main subsidiary Merchant Bank of Sri Lanka PLC. This merger is now awaiting the final regulatory clearance for its completion.

Secondly, the Bank's subsidiary, Merchant Bank of Sri Lanka PLC in which the Bank holds 72.14% has initiated a merger with one of its subsidiaries, MBSL Savings Bank Limited, which operates as a Licensed Specialised Bank. This merger also awaits the final regulatory approval for its completion. Upon completion of this merger, the Merchant Bank of Sri Lanka PLC will be operating under specialised banking license.

## 54. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

### 54.1 Bank

The analysis of total assets and liabilities of the bank in to relevant maturity groupings based on the remaining period as at 31st December 2012 to the contractual maturity date is given in the table below :

| | Less than 3 months LKR '000 | 3 - 12 months LKR '000 | 1 - 3 years LKR '000 | 3 - 5 years LKR '000 | Over 5 years LKR '000 | Total 2012 LKR '000 |
|---|---|---|---|---|---|---|
| **Interest earning assets** | | | | | | |
| Placements with banks | 15,381,085 | 4,013,381 | - | - | - | 19,394,466 |
| Reverse repurchase agreements | 797,425 | - | - | - | - | 797,425 |
| Financial assets - Held for trading | 5,821,577 | 4,158,375 | 2,976,662 | 2,040,527 | 544,044 | 15,541,185 |
| Financial investments - Loans and receivable | 6,172,833 | 77,552,319 | 6,834,707 | 100,000 | 8,547,000 | 99,206,859 |
| Loans & advances to customers | 401,980,096 | 146,169,494 | 75,678,865 | 36,230,897 | 31,839,855 | 691,899,207 |
| Financial investments - Available for sale | 1,844,507 | 447,708 | - | 1,025,725 | 8,763,048 | 12,080,988 |
| Financial investments - Held to maturity | 2,172,434 | 26,399,188 | 14,852,366 | 28,727,687 | 38,804,527 | 110,956,202 |
| **Total interest earning assets** | 434,169,957 | 258,740,465 | 100,342,600 | 68,124,836 | 88,498,474 | 949,876,332 |
| **Non interest earning assets** | | | | | | |
| Cash and short term funds | 31,544,558 | - | - | - | - | 31,544,558 |
| Balances with Central Banks | 20,612,411 | 8,683,388 | 468,546 | 189,242 | 9,653 | 29,963,240 |
| Derivative financial instruments | 507,451 | - | - | - | - | 507,451 |
| Investment in Subsidiary Companies | - | - | - | - | 6,792,848 | 6,792,848 |
| Investment in Associate Companies | - | - | - | - | 842,988 | 842,988 |
| Property, plant and equipment | - | - | - | - | 11,430,827 | 11,430,827 |
| Leasehold land | - | - | - | - | 84,976 | 84,976 |
| Intangible assets | - | - | - | - | 376,002 | 376,002 |
| Other assets | 16,505,727 | 132,436 | 112 | - | 163,494 | 16,801,769 |
| **Total non interest earning assets** | 69,170,147 | 8,815,824 | 468,658 | 189,242 | 19,700,788 | 98,344,659 |
| **Total assets** | 503,340,104 | 267,556,289 | 100,811,258 | 68,314,078 | 108,199,262 | 1,048,220,991 |
| **As at 31st December 2012** | **48.0%** | **25.5%** | **9.6%** | **6.5%** | **10.4%** | **100.0%** |
| **As at 31st December 2011** | **39.0%** | **23.0%** | **17.0%** | **9.0%** | **12.0%** | **100.0%** |

## 54. MATURITY ANALYSIS OF ASSETS AND LIABILITIES (Contd.)

### 54.1 Bank (Contd.)

| | Less than 3 months LKR '000 | 3 - 12 months LKR '000 | 1 - 3 years LKR '000 | 3 - 5 years LKR '000 | Over 5 years LKR '000 | Total 2012 LKR '000 |
|---|---|---|---|---|---|---|
| **Interest bearing liabilities** | | | | | | |
| Due to banks | 9,702,675 | - | - | - | - | 9,702,675 |
| Due to customers | 396,034,489 | 200,960,058 | 10,843,580 | 4,379,646 | 223,401 | 612,441,174 |
| Other borrowings | 81,402,389 | 63,850,811 | 21,526,070 | 65,729,231 | 1,287,014 | 233,795,515 |
| Debt securities issued | - | 3,217,536 | 16,678,813 | - | 3,400,000 | 23,296,349 |
| Surbodinated term debts | - | 7,818,024 | 5,000,000 | 11,000,000 | - | 23,818,024 |
| **Total interest bearing liabilities** | 487,139,553 | 275,846,429 | 54,048,463 | 81,108,877 | 4,910,415 | 903,053,737 |
| **Non interest bearing liabilities** | | | | | | |
| Due to banks | 425,308 | - | - | - | - | 425,308 |
| Derivative financial instruments | 74,314 | - | - | - | - | 74,314 |
| Due to customers | 80,999,468 | - | - | - | - | 80,999,468 |
| Current tax liabilities | 2,208,461 | - | - | - | - | 2,208,461 |
| Deferred tax liabilities | - | | | | 351,279 | 351,279 |
| Other liabilities | 9,516,740 | 7,092 | 9,290 | 1,633 | 620,787 | 10,155,542 |
| Shareholders' funds | - | - | - | - | 50,952,882 | 50,952,882 |
| **Total non interest bearing liabilities** | 93,224,291 | 7,092 | 9,290 | 1,633 | 51,924,948 | 145,167,254 |
| **Total liabilities** | 580,363,844 | 275,853,521 | 54,057,753 | 81,110,510 | 56,835,363 | 1,048,220,991 |
| **As at 31st December 2012** | **55.4%** | **26.3%** | **5.2%** | **7.7%** | **5.4%** | **100.0%** |
| **As at 31st December 2011** | **57.0%** | **28.0%** | **4.0%** | **6.0%** | **5.0%** | **100.0%** |
| **Net gap - 2012** | **(77,023,740)** | **(8,297,232)** | **46,753,505** | **(12,796,432)** | **51,363,899** | **-** |

### 54.2 Group

The analysis of total assets and liabilities of the group into relevant maturity groupings based on the remaining period as at 31st December 2012 into the contractual maturity date is given in the table below :

| | Less than 3 months LKR '000 | 3 - 12 months LKR '000 | 1 - 3 years LKR '000 | 3 - 5 years LKR '000 | Over 5 years LKR '000 | Total 2012 LKR '000 |
|---|---|---|---|---|---|---|
| **Interest earning assets** | | | | | | |
| Placements with banks | 23,572,247 | 2,004,950 | - | - | - | 25,577,197 |
| Reverse repurchased agreements | 1,324,497 | 99,298 | - | - | - | 1,423,795 |
| Financial assets - Held for trading | 6,298,804 | 4,168,721 | 2,976,662 | 2,040,527 | 544,044 | 16,028,758 |
| Financial investments - Loans and receivable | 6,308,647 | 77,760,893 | 6,465,811 | 100,000 | 8,547,000 | 99,182,351 |
| Loans & advances to customers | 404,498,402 | 150,113,755 | 84,368,146 | 38,996,271 | 31,956,924 | 709,933,498 |
| Financial investments - Available for sale | 2,115,795 | 978,545 | - | 1,489,899 | 9,777,686 | 14,361,925 |
| Financial investments - Held to maturity | 2,298,162 | 26,709,719 | 14,852,101 | 28,727,625 | 39,118,852 | 111,706,459 |
| **Total interest earning assets** | 446,416,554 | 261,835,881 | 108,662,720 | 71,354,322 | 89,944,506 | 978,213,983 |
| **Non interest earning assets** | | | | | | |
| Cash and short term funds | 31,955,777 | - | - | - | - | 31,955,777 |
| Balances with Central Banks | 20,612,411 | 8,683,388 | 468,546 | 189,242 | 9,653 | 29,963,240 |
| Derivative financial instruments | 507,451 | - | - | - | - | 507,451 |
| Investment in Associate Companies | - | - | - | - | 1,268,995 | 1,268,995 |
| Investment properties | - | 101,306 | - | - | 45,741 | 147,047 |
| Property, plant and equipment | 405 | 314 | 7,495 | 1,225 | 18,428,424 | 18,437,863 |
| Leasehold land | - | - | - | - | 124,724 | 124,724 |
| Intangible assets | - | - | - | - | 461,955 | 461,955 |
| Deferred tax assets | 11 | - | 54,005 | - | 19,026 | 73,042 |
| Other assets | 17,505,002 | 454,197 | 39,264 | 21,176 | 179,502 | 18,199,141 |
| **Total non interest earning assets** | 70,581,057 | 9,239,205 | 569,310 | 211,643 | 20,538,020 | 101,139,235 |
| **Total assets** | **516,997,611** | **271,075,086** | **109,232,030** | **71,565,965** | **110,482,526** | **1,079,353,218** |
| **As at 31st December 2012** | **47.9%** | **25.2%** | **10.1%** | **6.6%** | **10.2%** | **100.0%** |
| **As at 31st December 2011** | **39.0%** | **23.0%** | **17.0%** | **9.0%** | **12.0%** | **100.0%** |

**54. MATURITY ANALYSIS OF ASSETS AND LIABILITIES (Contd.)**

**54.2 Group (Contd.)**

| | Less than 3 months LKR '000 | 3 - 12 months LKR '000 | 1 - 3 years LKR '000 | 3 - 5 years LKR '000 | Over 5 years LKR '000 | Total 2012 LKR '000 |
|---|---|---|---|---|---|---|
| **Interest bearing liabilities** | | | | | | |
| Due to banks | 9,513,246 | - | - | - | - | 9,513,246 |
| Due to customers | 399,121,683 | 203,865,547 | 10,652,968 | 4,971,122 | 396,867 | 619,008,187 |
| Other borrowings | 89,309,050 | 66,738,168 | 21,982,546 | 65,823,902 | 1,287,013 | 245,140,679 |
| Debt securities issued | 33,442 | 3,429,743 | 17,618,613 | - | 3,400,000 | 24,481,798 |
| Subordinated term debts | - | 7,811,833 | 4,994,734 | 10,994,938 | - | 23,801,505 |
| **Total interest bearing liabilities** | 497,977,421 | 281,845,291 | 55,248,861 | 81,789,962 | 5,083,880 | 921,945,415 |
| **Non interest bearing liabilities** | | | | | | |
| Due to banks | 758,764 | 22,500 | 35,000 | - | - | 816,264 |
| Derivative financial instruments | 74,314 | - | - | - | - | 74,314 |
| Due to customers | 81,160,615 | - | - | - | - | 81,160,615 |
| Insurance provision - life | - | - | - | - | 166,087 | 166,087 |
| Insurance provision - non life | - | - | - | - | 571,068 | 571,068 |
| Current tax liabilities | 2,417,982 | - | 97 | - | - | 2,418,079 |
| Deferred tax liabilities | 62,058 | - | - | - | 1,637,554 | 1,699,612 |
| Other liabilities | 10,350,548 | 792,630 | 83,929 | 6,873 | 625,121 | 11,859,101 |
| Shareholders' funds | - | - | - | - | 58,642,663 | 58,642,663 |
| **Total non interest bearing liabilities** | 94,824,281 | 815,130 | 119,026 | 6,873 | 61,642,493 | 157,407,803 |
| **Total liabilities** | **592,801,702** | **282,660,421** | **55,367,887** | **81,796,835** | **66,726,373** | **1,079,353,218** |
| **As at 31st December 2012** | **54.9%** | **26.2%** | **5.1%** | **7.6%** | **6.2%** | **100.0%** |
| **As at 31st December 2011** | **56.0%** | **28.0%** | **4.0%** | **6.0%** | **6.0%** | **100.0%** |
| **Net gap - 2012** | **(75,804,091)** | **(11,585,335)** | **53,864,143** | **(10,230,870)** | **43,756,153** | **-** |

**55. RELATED PARTY DISCLOSURES**

In 2012, the Bank entered into transactions with the parties who are defined as related parties in Sri Lanka Accounting Standard - LKAS 24 - 'Related Party Disclosures' i.e. significant investors, Subsidiary & Associate Companies, post employment benefit plans for the Bank's employees, Key Management Personnel (KMPs), Close Family Members (CFMs) of KMPs and other related entities. Those transactions include lending activities, acceptance and placements, off-balance sheet transactions and provision of other banking and financial services that are carried out in the ordinary course of business on an arm's length basis at commercial rates, except for the transactions that KMPs have availed under schemes uniformly applicable to all the staff at concessionary rates.

**55.1 Parent and the ultimate controlling party**

The Bank does not have an identifiable parent of its own.

**55.2.1 Compensation to Key Management Personnel**

As per the Sri Lanka Accounting Standard - LKAS 24 - "Related Party Disclosures", the KMPs include those who are having authority and responsibility for planning, directing and controlling the activities of the Bank. Accordingly, the Board of Directors and members of the Corporate Management of the Bank have been classified as KMPs of the Bank.

| For the year ended 31st December | Bank 2012 LKR '000 | Bank 2011 LKR '000 | Group 2012 LKR '000 | Group 2011 LKR '000 |
|---|---|---|---|---|
| **(a) Compensation to Board of Directors** | | | | |
| Short-term employment benefits | 3,764 | 3,318 | 6,419 | 7,313 |
| Post employment benefits | - | - | - | - |
| Other long term benefits | - | - | - | - |
| **Total** | 3,764 | 3,318 | 6,419 | 7,313 |
| **(b) Compensation to corporate Management** | | | | |
| Short-term employment benefits | 68,139 | 89,530 | 87,754 | 91,108 |
| Post employment benefits | 18,121 | 22,059 | 18,121 | 22,059 |
| Other long term benefits | - | - | - | - |
| **Total** | 86,260 | 111,589 | 105,875 | 113,167 |

In addition to the above, the Bank has also paid non cash benefits such as vehicles to KMPs in line with the approved benefit plan of the Bank.

**55. RELATED PARTY DISCLOSURES (Contd.)**

**55.2.2 Transactions, arrangements and agreements involving Key Management Personnel (KMPs), their Close Family Members (CFMs) and other related entities**

CFMs are defined as family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity, i.e. spouse, children under 18 years of age and dependants of KMPs. Dependant is defined as anyone who depends on the respective KMP for more than 50% of his or her financial needs.

Other entities are those entities in which the KMPs and / or their CFMs have an interest over 50% of total shareholding.

| For the year ended 31st December | KMPs & CFMs | | Other entities | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| | LKR '000 | LKR '000 | LKR '000 | LKR '000 |
| **(a) Items in Income Statement** | | | | |
| Interest income | 4,121 | 5,421 | 6,106 | 6,618 |
| Interest expense | 8,275 | 4,036 | 4,368 | 3,123 |
| Other income | - | - | 315 | 360 |
| Other expenses * | - | - | 66,175 | 20,346 |
| *excluding the payments made as shown in Note 55.2.1 | | | | |
| **(b) Items in Statement of Financial Position** | | | | |
| **Assets** | | | | |
| Loans | 39,091 | 48,549 | - | - |
| Overdrafts | 585 | 3,738 | 98,677 | 54,938 |
| Credit cards | 2,110 | 4,852 | - | - |
| **Total** | 41,786 | 57,139 | 98,677 | 54,938 |
| **Liabilities** | | | | |
| Due to customers | 139,667 | 75,312 | 145,315 | 86,263 |
| Debentures | 46,436 | 41,726 | - | - |
| **Total** | 186,103 | 117,038 | 145,315 | 86,263 |
| **(c) Off-Balance sheet items** | | | | |
| Guarantees | - | - | 8,870 | 7,883 |
| Undrawn facilities | 41,550 | 41,166 | 6,215 | 13,579 |
| **Total** | 41,550 | 41,166 | 15,085 | 21,462 |
| Net accommodation (on balance sheet) as a % of the Bank's regulatory capital | 0.00% | 0.00% | 0.00% | 0.00% |
| Net accommodation (off balance sheet) as a % of the Bank's regulatory capital | 0.03% | 0.03% | 0.02% | 0.02% |
| Net accommodation (total) as a % of the Bank's regulatory capital | 0.03% | 0.03% | 0.02% | 0.02% |
| **(d) Average accommodations / due to customer balances** | | | | |
| Loans | 40,030 | 50,960 | - | 1,442 |
| Overdrafts | 632 | 6,219 | 53,105 | 50,801 |
| Due to customers | 109,577 | 67,245 | 126,130 | 70,215 |

**55.3 Transactions with Group related parties**

The Group related parties include the Subsidiaries & Associate Companies of the Bank.

**55. RELATED PARTY DISCLOSURES (Contd.)**

**55.3.1 Transactions with Subsidiaries and Associate Companies of the Bank**

The aggregate amount of income and expenses arising from the transactions during the year and amount due to and due from the relevant related parties and total contract sum of off-balance sheet transactions at the year end are summerised below.

| For the year ended 31st December | Subsidiary Companies | | Associate Companies | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| | LKR '000 | LKR '000 | LKR '000 | LKR '000 |
| **(a) Items in Income Statement** | | | | |
| Interest income | 247,520 | 124,651 | 1,062 | 106,061 |
| Interest expense | 202,929 | 90,312 | 6,765 | 12,168 |
| Other income | 356,825 | 286,725 | 28,023 | 28,283 |
| Other expenses | 578,159 | 569,653 | - | - |
| **(b) Items in the Statement of Financial Position** | | | | |
| **Assets** | | | | |
| Loans | 1,541,062 | 1,028,514 | 39,639 | 2,598,104 |
| Overdrafts | 209,878 | 46,392 | - | - |
| Investments in debts | 140,437 | 140,437 | - | - |
| Placements | 8,732,079 | 6,982,936 | - | - |
| Other receivable | 268,857 | 261,722 | - | - |
| **Total** | 10,892,313 | 8,460,001 | 39,639 | 2,598,104 |
| **Liabilities** | | | | |
| Due to Customers | 2,538,643 | 1,941,264 | 170,503 | 15,438 |
| Securities sold under repurchase agreements | 187,232 | 291,333 | 10,502 | 49,409 |
| Debentures | 16,539 | 11,477 | - | - |
| Other liabilities | 487,696 | 266,521 | - | - |
| **Total** | 3,230,110 | 2,510,595 | 181,005 | 64,847 |
| **(c) Off balance sheet items** | | | | |
| Letter of credit | - | 7,926 | 45,290 | - |
| Guarantees | 62,180 | 55,800 | - | 1,256 |
| Undrawn facilities | 483,174 | 1,222,285 | 30,100 | 178,177 |
| **Total** | 545,354 | 1,286,011 | 75,390 | 179,433 |
| Net accommodation (on balance sheet) as a % of the Bank's regulatory capital | 3.47% | 2.71% | 0.07% | 2.34% |
| Net accommodation (off balance sheet) as a % of the Bank's regulatory capital | 0.93% | 2.83% | 0.01% | 0.34% |
| Net accommodation (total) as a % of the Bank's regulatory capital | 4.40% | 5.54% | 0.08% | 2.68% |
| **(d) Average accommodations / due to customer balances** | | | | |
| Loans | 1,443,748 | 698,425 | 1,922,943 | 2,564,634 |
| Overdrafts | 190,786 | 36,612 | - | 2,250 |
| Due to customers | 1,946,505 | 2,984,375 | 119,947 | 29,954 |

## 55. RELATED PARTY DISCLOSURES (Contd.)

### 55.3.2 Transactions with Subsidiaries and Associate Companies of the Group

In addition to the transactions between the Bank and its Subsidiaries and Associate Companies, transactions which were taken place between the Subsidiaries and Associate Companies are also included in the section below:

| For the year ended 31st December | Subsidiary Companies 2012 LKR '000 | Subsidiary Companies 2011 LKR '000 | Associate Companies 2012 LKR '000 | Associate Companies 2011 LKR '000 |
|---|---|---|---|---|
| **(a) Items in Income Statement** | | | | |
| Interest income | 254,057 | 124,651 | 1,062 | 111,270 |
| Interest expense | 209,466 | 95,521 | 6,765 | 12,168 |
| Other income | 463,003 | 353,457 | 29,876 | 32,234 |
| Other expenses | 685,804 | 639,964 | 375 | 372 |
| **(b) Items in Statement of Financial Position** | | | | |
| **Assets** | | | | |
| Loans | 1,603,900 | 1,028,514 | 39,639 | 2,598,104 |
| Overdrafts | 209,878 | 46,392 | - | - |
| Investments in debts | 214,593 | 140,437 | - | - |
| Placements | 8,732,079 | 6,982,936 | - | - |
| Other receivable | 397,875 | 265,696 | 5 | - |
| | 11,158,325 | 8,463,975 | 39,644 | 2,598,104 |
| **Liabilities** | | | | |
| Due to customers | 2,661,938 | 1,941,264 | 170,503 | 15,438 |
| Securities sold under repurchase agreements | 187,232 | 291,333 | 10,502 | 49,409 |
| Debentures | 16,539 | 11,477 | - | - |
| Other liabilities | 630,418 | 270,495 | - | - |
| | 3,496,127 | 2,514,569 | 181,005 | 64,847 |
| **(c) Off balance sheet items** | | | | |
| Letters of credit | - | 7,926 | 45,290 | - |
| Guarantees | 62,180 | 55,800 | - | 1,256 |
| Undrawn facilities | 483,174 | 1,222,285 | 30,100 | 178,177 |
| | 545,354 | 1,286,011 | 75,390 | 179,433 |
| Net accommodation (on balance sheet) as a % of the Bank's regulatory capital | 3.73% | 2.71% | 0.07% | 2.34% |
| Net accommodation (off balance sheet) as a % of the Bank's regulatory capital | 0.93% | 2.83% | 0.01% | 0.34% |
| Net accommodation (total) as a % of the Bank's regulatory capital | 4.65% | 5.54% | 0.08% | 2.68% |
| **(d) Average accommodations / due to customer balances** | | | | |
| Loans | 1,506,586 | 698,425 | 1,922,943 | 2,564,634 |
| Overdrafts | 190,786 | 36,612 | - | 2,250 |
| Due to customers | 2,069,800 | 2,984,375 | 119,947 | 29,954 |

**55. RELATED PARTY DISCLOSURES (Contd.)**

**55.4 Transactions with the significant investors having significant influence over the Bank and the post employment benefit plans for Bank's employees.**

Significant investor of the Bank is the Government as it is a state owned entity. Government refers to the Government of Sri Lanka, Government Corporations, Provincial Councils, Local Government bodies and other Government entities. Transactions and arrangements entered in to by the Bank with the Government and Government controlled entities which are individually significant and for other transactions that are collectively, but not individually significant are as follows:

| For the year ended 31st December | Significant investor | | Post employment benefit plans | |
|---|---|---|---|---|
| | 2012 LKR '000 | 2011 LKR '000 | 2012 LKR '000 | 2011 LKR '000 |
| **55.4.1 Transactions which are collectively significant** | | | | |
| **(a) Items in Income Statement** | | | | |
| Interest income | 37,755,910 | 26,196,715 | - | - |
| Other income | 2,680,448 | 3,651,581 | - | - |
| Interest expense | 7,573,058 | 1,934,148 | 7,019,111 | 5,292,558 |
| Impairment charge on investments in equity instruments | 1,788,000 | - | - | - |
| Dividends paid | 5,346,410 | 3,846,410 | - | - |
| Contribution made | - | - | 2,536,030 | 2,590,526 |
| **(b) Items in Statement of Financial Position** | | | | |
| **Assets** | | | | |
| Loans and advances | 274,224,964 | 192,725,669 | - | - |
| Investment in securities and bonds | 221,745,603 | 175,879,903 | - | - |
| Investment in equity instruments | 4,264,715 | 4,264,715 | - | - |
| | 500,235,282 | 372,870,287 | - | - |
| **Liabilities** | | | | |
| Due to customers | 56,342,691 | 60,903,386 | 33,233,956 | 31,332,903 |
| Securities sold under repurchase agreements | 17,221,006 | 42,798,710 | 912,972 | 540,541 |
| Debentures | 7,815,099 | 7,221,216 | 30,890,065 | 29,523,376 |
| | 81,378,796 | 110,923,312 | 65,036,993 | 61,396,820 |
| **(c) Off balance sheet items** | | | | |
| Letter of credit | 34,853,700 | 54,780,271 | | |
| Bills and acceptances | 73,899,577 | 82,738,201 | | |
| Guarantees | 12,159,718 | 18,450,179 | | |
| Forward exchange contracts | 31,813,750 | - | | |
| | 152,726,745 | 155,968,651 | | |
| **(d) Other transactions** | | | | |
| Gross foreign exchange transactions | | | | |
| - Sales | 216,341,730 | 184,983,423 | | |
| - Purchases | 121,498,065 | 349,741,934 | | |
| Net accommodation (on balance sheet) as a % of the Bank's regulatory capital | 895.25% | 801.98% | | |
| Net accommodation (off balance sheet) as a % of the Bank's regulatory capital | 282.99% | 350.98% | | |
| Net accommodation (total) as a % of the Bank's regulatory capital | 1178.25% | 1152.96% | | |

## 55. RELATED PARTY DISCLOSURES (Contd.)

### 55.4.1 Transactions which are collectively significant (Contd.)

| As at 31st December | Significant investor | | Post employment benefit plans | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| | LKR '000 | LKR '000 | LKR '000 | LKR '000 |
| **(e) Average accommodations / due to customers** | | | | |
| Loans and advances | 217,509,867 | 152,535,729 | - | - |
| Due to customers | 82,583,652 | 51,713,266 | 33,283,408 | 24,470,544 |
| Off balance sheet facilities | 156,444,960 | 165,929,034 | - | - |

Government of Sri Lanka has invested in 5,000,000 ordinary shares of Bank of Ceylon at value of LKR 1,000/- each.

### 55.4.2 Transactions which are individually significant

The Bank uses internal assessments methodology in order to identify significance of the transactions with the Government and Government related entities. Accordingly, the transactions which have been considered normal day to day business operations which are carried on normal market conditions are considered individually significant transactions reported below:

i The Bank issued a USD denominated bond for USD 500 million in May 2012, of which USD 250 million was converted to LKR through a SWAP arrangement with the Central Bank of Sri Lanka. Both the Dollar proceeds and Rupee proceeds were used in commercial lending purpose.

ii The Bank received LKR 60 billion treasury bonds from the Government in order to set off the dues payable by State Owned Enterprises (SOEs). Out of these bonds LKR 9.2 billion worth of bonds were sold in the open market while the remainder is included in the financial investments.

### 55.4.3 Transactions with the Significant Investor - Group

Other than the transactions carried out by the Bank and balances held by the Bank with the Government, Subsidiaries of the Group have carried out following transactions with the Government and balances held with the Government as follows:

| As at 31st December | Significant investor | |
|---|---|---|
| | 2012 | 2011 |
| | LKR '000 | LKR '000 |
| Investment in securities and bonds | 1,598,864 | 1,542,093 |
| Income from investment in securities and bonds | 218,289 | 160,933 |

Apart from the transactions listed above, the Group carried out transactions with the Government of Sri Lanka and other Government related entities in the form of providing services, payment of taxes, payment of utility bills , investments in shares for trading purpose and other financial service transactions including inter bank placements during the year ended 31st December 2012 on comparable terms which are applicable to transactions between the Group and its unrelated customers.

## 56. FINANCIAL REPORTING BY SEGMENT

Segmental information is presented in respect of Group business distinguishing the component of the Group that is engaged in different business segments or operations within a particular economic environment which is subject to risk and returns that are different from those of other segments.

### 56.1 Primary segment information - business segments - Group

Operating segments provide products and services whose risk and returns are different from other segments which represents Retail banking, Corporate banking, International, treasury and investment, Government, Group function and other.

| For the year ended 31st December | Retail banking | | Corporate banking | | International, treasury and investment | |
|---|---|---|---|---|---|---|
| | 2012 LKR '000 | 2011 LKR '000 | 2012 LKR '000 | 2011 LKR '000 | 2012 LKR '000 | 2011 LKR '000 |
| **Revenue from external customers:** | | | | | | |
| Interest | 36,156,394 | 22,271,913 | 16,486,278 | 8,754,163 | 2,749,957 | 3,629,131 |
| Fees and commissions | 2,204,137 | 1,837,166 | 1,545,997 | 896,450 | 643,404 | 646,007 |
| Other | 1,258,311 | 1,236,177 | 1,014,118 | 461,649 | 6,395,606 | 1,476,446 |
| **Total revenue** | **39,618,842** | **25,345,256** | **19,046,393** | **10,112,262** | **9,788,967** | **5,751,584** |
| **Expenses :** | | | | | | |
| Total expenses | (41,799,632) | (30,665,557) | (22,390,007) | (11,733,153) | (14,409,657) | (6,733,549) |
| Inter segment transaction | 10,992,200 | 8,048,015 | 8,338,605 | 3,608,633 | 9,435,895 | 4,338,610 |
| **Net operating income** | **8,811,410** | **2,727,714** | **4,994,991** | **1,987,742** | **4,815,205** | **3,356,645** |
| Share of profit of Associate Companies | - | - | - | - | - | - |
| **Profit /(loss) before income tax** | **8,811,410** | **2,727,714** | **4,994,991** | **1,987,742** | **4,815,205** | **3,356,645** |
| Income tax expense | | | | | | |
| **Profit for the year** | | | | | | |
| **Total assets** | **278,953,985** | **252,888,587** | **178,567,405** | **127,165,573** | **28,763,992** | **32,545,535** |
| **Total liabilities** | **447,488,418** | **403,929,503** | **369,172,339** | **210,944,820** | **43,267,417** | **18,534,797** |
| Cash flows from operating activities | (6,622,109) | (15,911,345) | (3,019,491) | (6,254,088) | (503,659) | (2,592,698) |
| Cash flows from investing activities | (355,784) | (547,230) | (227,749) | (275,176) | (49,537,765) | 8,452,143 |
| Cash flows from financing activities | 40,825,796 | 6,560,606 | 33,680,770 | 3,426,157 | 3,947,424 | 301,041 |

| Government | | Group function | | Unallocated | | Total | |
|---|---|---|---|---|---|---|---|
| 2012 LKR '000 | 2011 LKR '000 | 2012 LKR '000 | 2011 LKR '000 | 2012 LKR '000 | 2011 LKR '000 | 2012 LKR '000 | 2011 LKR '000 |
| 37,755,910 | 26,196,715 | 4,214,052 | 3,260,781 | 1,388,757 | 95,993 | 98,751,348 | 64,208,696 |
| 2,594,867 | 3,586,853 | 131,126 | 271,413 | 411,766 | (298,033) | 7,531,297 | 6,939,856 |
| 85,581 | 64,728 | 2,413,846 | 1,964,561 | (1,922,946) | (1,495,461) | 9,244,516 | 3,708,100 |
| **40,436,358** | **29,848,296** | **6,759,024** | **5,496,755** | **(122,423)** | **(1,697,501)** | **115,527,161** | **74,856,652** |
| (9,500,550) | (5,988,379) | (5,859,929) | (4,518,137) | (1,359,703) | 1,064,753 | (95,319,478) | (58,574,022) |
| (27,855,125) | (15,353,816) | - | - | (911,575) | (641,442) | - | - |
| **3,080,683** | **8,506,101** | **899,095** | **978,618** | **(2,393,701)** | **(1,274,190)** | **20,207,683** | **16,282,630** |
| - | - | 38,585 | 208,716 | - | - | 38,585 | 208,716 |
| **3,080,683** | **8,506,101** | **937,680** | **1,187,334** | **(2,393,701)** | **(1,274,190)** | **20,246,268** | **16,491,346** |
| | | | | | | (5,638,274) | (4,824,536) |
| | | | | | | **14,607,994** | **11,666,810** |
| **500,235,281** | **372,870,287** | **47,736,752** | **39,598,052** | **45,095,803** | **39,565,446** | **1,079,353,218** | **864,633,480** |
| **81,378,796** | **110,923,312** | **35,771,420** | **28,914,781** | **43,632,165** | **42,545,960** | **1,020,710,555** | **815,793,173** |
| (6,915,063) | (18,715,275) | (771,811) | (2,329,544) | (254,354) | (68,582) | (18,086,487) | (45,871,532) |
| (638,011) | (806,861) | (62,234) | (85,686) | (57,518) | (85,618) | (50,879,061) | 6,651,572 |
| 7,424,447 | 1,801,611 | 3,263,540 | 469,632 | 3,980,704 | 691,033 | 93,122,681 | 13,250,080 |

**56. FINANCIAL REPORTING BY SEGMENT (Contd.)**

**56.2 Secondary segment information - Geographical segments**

Geographical segments provide products or services within a particular economic environment where risk and returns are different from those of other economic environment.

These segment comprise domestic operations, Off-shore Banking Divisions and Off shore Banking Units (Overseas branches).

| | Bank | | | | Group | | | |
|---|---|---|---|---|---|---|---|---|
| | 2012 | | 2011 | | 2012 | | 2011 | |
| | LKR '000 | % | LKR '000 | % | LKR '000 | % | LKR '000 | % |
| **Assets** | | | | | | | | |
| Domestic Banking Unit | 798,056,737 | 76.2 | 701,147,299 | 83.6 | 811,602,153 | 75.2 | 714,327,216 | 82.6 |
| Off shore Banking Division | 235,211,894 | 22.4 | 124,939,715 | 14.9 | 235,211,894 | 21.8 | 124,939,715 | 14.5 |
| Off shore Banking Units | 14,952,360 | 1.4 | 12,186,026 | 1.5 | 32,539,171 | 3.0 | 25,366,549 | 2.9 |
| | 1,048,220,991 | 100.0 | 838,273,040 | 100.0 | 1,079,353,218 | 100.0 | 864,633,480 | 100.0 |
| **Total income** | | | | | | | | |
| Domestic Banking Unit | 94,767,891 | 86.0 | 60,412,347 | 85.8 | 99,779,284 | 86.4 | 64,487,406 | 86.2 |
| Off shore Banking Division | 13,498,905 | 12.3 | 8,323,684 | 11.8 | 13,498,905 | 11.7 | 8,323,684 | 11.1 |
| Off shore Banking Units | 1,871,123 | 1.7 | 1,720,948 | 2.4 | 2,248,972 | 1.9 | 2,045,563 | 2.7 |
| | 110,137,919 | 100.0 | 70,456,979 | 100.0 | 115,527,161 | 100.0 | 74,856,653 | 100.0 |
| **Profit before tax** | | | | | | | | |
| Domestic Banking Unit | 16,285,794 | 82.3 | 13,327,601 | 80.9 | 16,800,810 | 83.0 | 13,403,914 | 81.3 |
| Off shore Banking Division | 2,576,345 | 13.0 | 2,194,975 | 13.3 | 2,576,345 | 12.7 | 2,194,975 | 13.3 |
| Off shore Banking Units | 932,159 | 4.7 | 962,139 | 5.8 | 869,113 | 4.3 | 892,457 | 5.4 |
| | 19,794,298 | 100.0 | 16,484,715 | 100.0 | 20,246,268 | 100.0 | 16,491,346 | 100.0 |
| **Profits after tax** | | | | | | | | |
| Domestic Banking Unit | 11,846,597 | 82.1 | 9,546,056 | 80.1 | 12,084,239 | 82.7 | 9,373,790 | 80.4 |
| Off shore Banking Division | 1,854,968 | 12.9 | 1,580,382 | 13.3 | 1,854,968 | 12.7 | 1,580,382 | 13.5 |
| Off shore Banking Units | 715,056 | 5.0 | 791,167 | 6.6 | 668,787 | 4.6 | 712,638 | 6.1 |
| | 14,416,621 | 100.0 | 11,917,605 | 100.0 | 14,607,994 | 100.0 | 11,666,810 | 100.0 |

## 57. FIRST-TIME ADOPTION OF SLFRS

As stated in Note 3.1 (Statement of compliance) of Accounting policies, the Financial Statements for the year ended 31st December 2012, are the first, the Bank and the Group have prepared in accordance with SLFRS.

Accordingly, the Group has prepared financial statements which comply with SLFRS applicable for periods ending on or after 31st December 2012, together with the comparative period data as at and for the year ended 31st December 2011, as described in the accounting policies. In preparing these Financial Statements, the Group's opening Statement of Financial Position was prepared as at 1st January 2011, the Group's date of transition to SLFRS. This note explains the principal adjustments made by the Bank/Group in restating its Statement of Financial Position as at 1st January 2011 and its previously published Financial Statements as at and for the year ended 31st December 2011.

### 57.1 Bank

**Income Statement**

**Reconciliation of profit for the year ended 31st December 2011 - SLFRS 1 Disclosure**

| | | Bank | | | |
|---|---|---|---|---|---|
| | Note | SLAS LKR '000 | Reclassification LKR '000 | Remeasurements LKR '000 | SLFRS LKR '000 |
| Interest income | A | 60,744,962 | - | 477,448 | 61,222,410 |
| Interest expenses | B | (36,228,708) | - | 12,807 | (36,215,901) |
| **Net interest income** | | 24,516,254 | - | 490,255 | 25,006,509 |
| Fee and commission income | C | 7,141,666 | - | (465,574) | 6,676,092 |
| Fee and commission expenses | | (505,983) | (36,828) | - | (542,911) |
| **Net fee and commission income** | | 6,635,683 | (36,828) | (465,574) | 6,133,181 |
| Net gain / (loss) on investment in securities | D | (1,270,543) | 1,270,543 | - | - |
| Net gain / (loss) from trading | D | - | 408,114 | (88,637) | 319,477 |
| Net gain / (loss) from financial investments | | - | 347,748 | - | 347,748 |
| Foreign exchange profit | | 1,746,285 | (1,746,285) | - | - |
| Dividend income | | 712,625 | (712,625) | - | - |
| Other operating income | | - | 1,809,518 | 81,734 | 1,891,252 |
| Other income | | 1,377,013 | (1,377,013) | - | - |
| **Total Operating income** | | 33,717,317 | (36,828) | 17,778 | 33,698,167 |
| Provision for loan losses | | (433,619) | 433,619 | - | - |
| Recovery of non performing advances | | 859,401 | (859,401) | - | - |
| Impairment for loans and other losses | E | - | 1,241,242 | 1,016,480 | 2,257,722 |
| Reversal of provision for fall in value of investment in related companies | | 815,460 | (815,460) | - | - |
| **Net operating income** | | 34,958,559 | (36,828) | 1,034,258 | 35,955,889 |
| Personnel expenses | F | (8,229,157) | 8,229,157 | - | - |
| Staff retirement benefits | F | (2,136,264) | 2,136,264 | - | - |
| Personnel expenses | F | - | (10,365,421) | (94,668) | (10,460,089) |
| Premises, equipment and establishment expenses | | (3,057,677) | 3,057,677 | - | - |
| Other operating expenses | | (3,473,941) | 3,473,941 | - | - |
| Other expenses | | - | (6,494,790) | (640) | (6,495,330) |
| **Total Operating expenses** | | (16,897,039) | 36,828 | (95,308) | (16,955,419) |
| **Operating profit / (loss) before value added tax (VAT)** | | 18,061,520 | - | 938,950 | 19,000,470 |
| Value added tax (VAT) on financial services | | (2,515,755) | - | - | (2,515,755) |
| **Profit before income tax** | | 15,545,765 | - | 938,950 | 16,484,715 |
| Income tax expense | G | (4,024,970) | - | (542,140) | (4,567,110) |
| **Profit for the year** | | 11,520,795 | - | 396,810 | 11,917,605 |
| **Profit attributable to :** | | | | | |
| Equity holder of the parent | | 11,520,795 | - | 396,810 | 11,917,605 |
| **Profit for the year** | | 11,520,795 | - | 396,810 | 11,917,605 |

**57. FIRST-TIME ADOPTION OF SLFRS (Contd.)**

**Notes to the reconciliation of Income Statement for the year ended 31st December 2011 (SLFRS 1)**

**A Interest income**

As per SLFRS, amortized cost of the financial assets includes cumulative amortisation using Effective Interest Rate (EIR). Accordingly, the difference between previously recognised interest income and interest measured as per EIR is adjusted in arriving at the SLFRS balance. The measurement change has resulted in an adjustment of LKR 477 million.

**B Interest expense**

Under SLFRS, interest expense on due to customers (depositors), due to banks, other borrowings, subordinated term debts and debt securities issued are recognised based on EIR. A measurement change of LKR 13 million was recognised as a result of EIR adjustment.

**C Fee and commission income**

In accordance with previous SLAS, the Bank had recognised fee income on upfront basis. However upon adoption of SLFRS requires the Bank to defer and recognise such fee income as revenue over the period during which the service is performed. As a result of that LKR 466 million has been recognised as a measurment change.

**D Net trading income / (expense)**

As per SLFRS, trading securities are valued as per market price and the gain / (loss) from the valuation is reported in net trading income. A measurement change of LKR 89 million was recognised as a result of mark to market valuation.

**E Impairment for loans and other losses**

Under previous SLAS provision for credit losses were computed based on the guidelines issued by Central Bank of Sri Lanka. Under SLFRS, provision for impairment is determined based on impairment indicators.

**F Personnel expenses**

Under SLFRS, benefits given to staff by way of loans at concessionary rates, were valued at fair value initially and benefit to staff considered as personnel cost. Further, the employee defined benefit plans have been valued by an actuary as per the provisions of SLFRS. Net measurement change of LKR 95 million was recognised as a result of fair value adjustment.

**G Income tax expense**

The deferred tax liability previously identified under SLAS, Financial Statements was reversed and relevant liability was recognised where necessary.

## 57. FIRST-TIME ADOPTION OF SLFRS (Contd.)

### 57.1.1 Bank

**First time adoption of SLFRS**
**Reconciliation of equity as at 31st December 2011**

| | Note | SLAS LKR '000 | Bank Reclassification LKR '000 | Bank Remeasurements LKR '000 | SLFRS LKR '000 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Cash and short term funds | | 18,670,911 | - | - | 18,670,911 |
| Balances with Central Banks | | 30,427,455 | (204,805) | - | 30,222,650 |
| Placements with and loans to other banks | A | 14,544,729 | (14,544,729) | - | - |
| Placements with banks | A | - | 14,581,140 | (142) | 14,580,998 |
| Securities purchased under resale agreements | B | 1,075,000 | (1,075,000) | | - |
| Derivative financial instruments | | - | 63,211 | - | 63,211 |
| Reverse repurchase agreements | B | - | 1,095,115 | (180) | 1,094,935 |
| Dealing securities | C/F1 | 3,573,900 | (3,573,900) | - | - |
| Treasury bills, bonds and other eligible bills | C/F1/D | 58,763,601 | (58,763,601) | - | - |
| Financial assets - Held for trading | C | - | 40,266,278 | 30,535 | 40,296,813 |
| Treasury bonds maturing after one year | C/F1 | 32,093,496 | (32,093,496) | - | - |
| Investment securities | F/D | 83,320,967 | (83,320,967) | - | - |
| Government of Sri Lanka Restructuring Bonds | D | 8,547,000 | (8,547,000) | - | - |
| Financial investments - Loans and receivable | D | | 89,740,777 | (1,493) | 89,739,284 |
| Loans and advances to customers | E | 543,651,993 | (543,651,993) | - | - |
| Loans and advances to customers | E | - | 551,411,998 | (8,263,032) | 543,148,965 |
| Financial investments - Available for sale | F | - | 8,694,840 | 4,169,461 | 12,864,301 |
| Financial investments - Held to maturity | F1 | - | 51,375,587 | 10,849 | 51,386,437 |
| Investments in Subsidiary Companies | | 6,240,686 | - | - | 6,240,686 |
| Investments in Associate Companies | | 842,988 | - | - | 842,988 |
| Property, plant and equipment | | 10,518,926 | - | - | 10,518,926 |
| Leasehold properties | | 76,270 | - | - | 76,270 |
| Intangible assets | | 342,839 | - | - | 342,839 |
| Other assets | G | 22,849,558 | (12,434,077) | 7,767,345 | 18,182,826 |
| **Total assets** | | 835,540,319 | (980,622) | 3,713,343 | 838,273,040 |
| **Liabilities** | | | | | |
| Deposits | I | 588,764,572 | (588,764,572) | - | - |
| Due to banks | | - | 6,507,833 | - | 6,507,833 |
| Derivative financial instruments | | - | 987,775 | - | 987,775 |
| Due to customers | I | - | 595,993,020 | (219,282) | 595,773,738 |
| Securities sold under re-purchase agreements | H/J | 48,724,319 | (48,724,319) | - | - |
| Debentures | K | 41,365,832 | (41,365,832) | - | - |
| Borrowed funds | J | 93,674,043 | (93,674,043) | - | - |
| Other borrowings | J | - | 138,405,263 | (16,331) | 138,388,932 |
| Debt securities issued | K | - | 25,262,496 | (25,978) | 25,236,518 |
| Current tax liabilities | | 1,139,464 | - | - | 1,139,464 |
| Deferred tax liabilities | | 1,107,072 | - | (711,804) | 395,268 |
| Other liabilities | | 20,601,940 | (12,966,086) | 3,498,569 | 11,134,423 |
| Subordinated term debts | K | - | 17,357,843 | (2,558) | 17,355,284 |
| **Total liabilities** | | 795,377,242 | (980,622) | 2,522,616 | 796,919,235 |
| **Equity** | | | | | |
| Share capital | | 5,000,000 | - | - | 5,000,000 |
| Permanent reserve fund | | 3,008,000 | - | - | 3,008,000 |
| Retained profits / Retained earnings | | 24,591,968 | 42,064 | (2,901,024) | 21,733,009 |
| Other reserves | | 7,563,109 | (42,064) | 4,091,751 | 11,612,796 |
| **Total equity attributable to the parent** | | 40,163,077 | - | 1,190,727 | 41,353,805 |
| **Total equity** | | 40,163,077 | - | 1,190,727 | 41,353,805 |
| **Total liabilities and equity** | | 835,540,319 | (980,622) | 3,713,343 | 838,273,040 |

**57. FIRST-TIME ADOPTION OF SLFRS (Contd.)**

**Notes to the reconciliation of Statement of Financial Position as at 31st December 2011 (SLFRS 1)**

**A Placements with banks**

Under previous SLAS, "Placements with and loans to other banks" was recorded at cost. However, as per SLFRS "Placements with and loans to other banks" was reclassified as "Placements with banks" and recorded at amortised cost, measured using Effective Interest Rate (EIR).

**B Reverse repurchase agreements**

"Securities purchased under resale agreements" was reclassified as "Reverse repurchase agreements" and are recorded at amortized cost, measured using EIR.

**C Financial assets - Held for trading**

According to SLFRS, Treasury bills of LKR 23,460 million, treasury bonds of LKR 10,655 million, Sri Lanka sovereign bonds of LKR 2,607 million and quoted equity investments of LKR 3,573 million are reclassified and reported as "Financial assets - Held for trading". Those items were previously reported in "Treasury bills, bonds, other eligible bills", "Treasury bonds maturing after one year" and "Dealing securities". As per SLFRS, all held for trading instruments were measured at fair value. Due to the market valuation a measurement adjustment of LKR 30 million has been incorporated.

**D Financial investments - Loans and receivable**

As per SLFRS, investment of LKR 76,912 million in "Sri Lanka Development Bonds", investment of LKR 8,968 million in "Government of Sri Lanka Restructuring Bonds", investment of LKR 1,003 million in debentures, investment of LKR 224 million in of trust certificates and investment of LKR 2,632 million in "Government Securities" are classified as "Financial investments - Loans and receivable" and reported at amortised cost. Under previous SLAS, investment in "Government of Sri Lanka Restructuring Bonds" was reported as a separate line item in the balance sheet, and other items were reported under "Investment securities" and "Treasury bills, bonds, other eligible bills".

**E Loans & advances to customers**

Under previous SLAS, interest receivable as at reporting date occurring from non-impaired (performing) loans were reported under other assets as interest receivable. However, under SLFRS, commercial loans and receivables are measured at amortized cost and interest receivable of performing loans are reclassified from other assets to loans and receivable.

Under SLFRS, all staff loans were recognised at fair value. The difference between the fair value and previous SLAS carrying amount, was recognised as prepaid staff cost and reported under other assets.

The measurement change has resulted in an adjustment of LKR 8,263 million.

**F Financial investments - Available for sale**

As per previous SLAS, investment portfolio which were held as strategic investments were recognised at cost. As per SLFRS such investments are classified as "Financial investments - Available for sale" and measured at fair value. Such investments include, unlisted equity shares, quoted strategic equity shares, units in unit trusts, treasury bills held o/a of Investment Fund Account and investments in Indian Government securities. The aggregate value of the investment portfolio has increased by LKR 4,169 million due to change of valuation base from cost to market value.

**F1 Financial investments - Held to maturity**

Treasury bills of LKR 10,658 million and treasury bonds of LKR 40,728 million were reported as financial investments - Held to maturity at amortised cost measured using EIR. Those items were previously reported under "Treasury bills, bonds, other eligible bills" and "Treasury bonds maturing after one year" whilst the corresponding interest receivable have been classified under other assets. A measurement change of LKR 11 million has recognised as a result of EIR.

**G Other assets**

Under SLAS, interest receivable pertaining to loans and advances, held to maturity financial investments, held for trading financial assests and available for sale financial investments were classified under other assets. However as per SLFRS, loans and advances and held to maturity financial investments were measured at amortised cost. Held for trading financial assets and available for sale financial investments were reported at fair value. Hence the interest receivable which was recorded under other assets has been reclassifed to respective financial instrument in arriving at amortised cost and total of that amounts to LKR 12,434 million. In addition to that prepaid staff cost arose due to the remeasurement of staff loan under SLFRS has resulted in a measurement change amounting to LKR 7,767 million.

**H Securities sold under repurchase agreements**

Under SLFRS, "Repurchase agreements" are reported at amortized cost, measured using EIR and has been reported under other borrowings.

**I Due to customers**

Under previous SLAS, "Deposits due to customers" was reported separately and corresponding interest payable was reported under other liabilities. Under SLFRS "Deposits due to customers" and the respective interest is aggregated together in arriving at amortised cost. Further interest payable on fixed maturity term deposits were calculated based on EIR. A measurement change of LKR 219 million has recognised as a result of EIR.

**J Other borrowings**

Under SLFRS, other borrowings are reported at amortised cost based on EIR. However, under previous SLAS, interest payables were measured based on simple interest method, are recorded under other liabilities. A measurement change of LKRs 16 million has been recognised as a result of EIR.

**K Debt securities issued and subordinated term debts**

Under previous SLAS, debentures were reported as a separate line item and measured using simple interest rate. Under SLFRS, debentures were reclassified in two reporting line items namely, "Debt securities issued" and "Subordinated term debts". Further as per SLFRS those have been measured using EIR.
A measurement change of LKR 28 million has been recognised as a result of interest measurement using EIR.

## 57. FIRST-TIME ADOPTION OF SLFRS (Contd.)

### 57.1.2 Bank

**First time adoption of SLFRS**

**Reconciliation of equity as at 1st January 2011 (Date of transition to SLFRS)**

| | Note | Bank<br>SLAS<br>LKR '000 | Reclassification<br>LKR '000 | Remeasurements<br>LKR '000 | SLFRS<br>LKR '000 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Cash and short term funds | | 14,103,803 | - | - | 14,103,803 |
| Balances with Central Banks | | 25,894,466 | (252,502) | - | 25,641,964 |
| Placements with and loans to other banks | A | 42,679,798 | (42,679,798) | - | - |
| Placements with banks | A | - | 42,708,057 | 600 | 42,708,657 |
| Securities purchased under resale agreements | B | 40,840,091 | (40,840,091) | - | - |
| Derivative financial instruments | | - | 239,780 | - | 239,780 |
| Reverse repurchase agreements | B | - | 40,853,179 | (10) | 40,853,170 |
| Dealing securities | C/F1 | 3,232,348 | (3,232,348) | - | - |
| Treasury bills, bonds and other eligible bills | C/F1/D | 45,379,013 | (45,379,013) | - | - |
| Financial assets - Held for trading | C | - | 47,073,474 | 119,172 | 47,192,646 |
| Treasury bonds maturing after one year | C/F1 | 51,296,744 | (51,296,744) | - | - |
| Investment securities | F/D | 80,643,496 | (80,643,496) | - | - |
| Government of Sri Lanka Restructuring Bonds | D | 8,547,000 | (8,547,000) | - | - |
| Financial investments - Loans and receivable | D | | 88,543,639 | (94,961) | 88,448,678 |
| Loans and advances to customers | E | 372,721,584 | (372,721,584) | - | - |
| Loans and advances to customers | E | - | 376,402,885 | (8,100,964) | 368,301,921 |
| Financial investments - Available for sale | F | - | 6,826,434 | 6,001,624 | 12,828,058 |
| Financial investments - Held to maturity | F1 | - | 51,633,805 | 7,977 | 51,641,782 |
| Investments in Subsidiary Companies | | 5,279,094 | - | - | 5,279,094 |
| Investments in Associate Companies | | 844,658 | - | - | 844,658 |
| Property, plant and equipment | | 5,544,589 | - | - | 5,544,589 |
| Leasehold properties | | 77,515 | - | - | 77,515 |
| Intangible assets | | 163,826 | - | - | 163,826 |
| Deferred tax assets | | | | 842,543 | 842,543 |
| Other assets | G | 17,706,268 | (8,914,160) | 6,742,955 | 15,535,062 |
| **Total assets** | | 714,954,293 | (225,483) | 5,518,936 | 720,247,746 |
| **Liabilities** | | | | | |
| Deposits | I | 524,232,697 | (524,232,697) | - | - |
| Due to banks | | - | 2,214,596 | - | 2,214,596 |
| Derivative financial instruments | | - | 157,854 | - | 157,854 |
| Due to customers | I | - | 530,312,442 | (220,630) | 530,091,812 |
| Securities sold under repurchase agreements | H/J | 53,522,487 | (53,522,487) | - | - |
| Debentures | K | 38,706,348 | (38,706,348) | - | - |
| Borrowed funds | J | 52,445,153 | (52,445,153) | - | - |
| Other borrowings | J | - | 105,413,149 | (244,132) | 105,169,017 |
| Debt securities issued | K | - | 26,662,417 | (39,046) | 26,623,371 |
| Current tax liabilities | | 2,199,758 | - | | 2,199,758 |
| Deferred tax liabilities | | 457,587 | - | (411,402) | 46,185 |
| Other liabilities | | 15,258,392 | (9,552,045) | 4,640,215 | 10,346,562 |
| Subordinated term debts | K | - | 13,472,789 | 19,236 | 13,492,025 |
| **Total liabilities** | | 686,822,422 | (225,483) | 3,744,241 | 690,341,180 |
| **Equity** | | | | | |
| Share capital | | 5,000,000 | - | - | 5,000,000 |
| Permanent reserve fund | | 2,777,500 | - | - | 2,777,500 |
| Retained profits / Retained earnings | | 18,712,777 | 77,712 | (4,226,930) | 14,563,559 |
| Other reserves | | 1,641,594 | (77,712) | 6,001,625 | 7,565,507 |
| **Total equity attributable to the parent** | | 28,131,871 | - | 1,774,695 | 29,906,566 |
| **Total equity** | | 28,131,871 | - | 1,774,695 | 29,906,566 |
| **Total liabilities and equity** | | 714,954,293 | (225,483) | 5,518,936 | 720,247,746 |

**57. FIRST-TIME ADOPTION OF SLFRS (Contd.)**

**Notes to the reconciliation of Statement of Financial Position as at 1st January 2011 (SLFRS 1)**

**A Placements with banks**

Under previous SLAS, "Placements with and loans to other banks" was recorded at cost. However, as per SLFRS 'Placements with and loans to other banks' was reclassified as "Placements with banks" and recorded at amortized cost, measured using Effective Interest Rate (EIR).

**B Reverse repurchase agreements**

"Securities purchased under resale agreements" was reclassified as "Reverse repurchase agreements" and are recorded at amortized cost, measured using EIR.

**C Financial assets - Held for trading**

According to SLFRS, treasury bills of LKR 26,742 million, treasury bonds of LKR 14,537 million, Sri Lanka sovereign bonds of LKR 2,679 million and quoted equity investments of LKR 3,232 million are reclassified and reported as "Financial assets - Held for trading". Those items were previously reported in "Treasury bills, bonds, other eligible bills", "Treasury bonds maturing after one year" and "Dealing securities". As per SLFRS all held for trading instruments were measured at fair value. Due to the market valuation a measurement adjustment of LKR 119 million has been incorporated.

**D Financial assets - Loans and receivable**

As per SLFRS, investment of LKR 74,237 million in "Sri Lanka Development Bonds", investment of LKR 9,400 million in "Government of Sri Lanka Restructuring Bonds", investment of LKR 36 million in debentures, investment of LKR 199 million in trust certificates and investment of LKR 4,575 million in "Government Securities" are classified as "Financial investments - Loans and receivable" and reported at amortized cost. Under SLAS, investment in "Government of Sri Lanka Restructuring Bonds" was reported as a separate line item in the balance sheet and other items were reported under "investment securities" and "treasury bills, bonds, other eligible bills".

**E Loans & advances to customers**

Under previous SLAS, interest receivable as at balance sheet date occurring from non-impaired (performing) loans were reported under other assets as interest receivable. However, under SLFRS, commercial loans and receivables are measured at amortized cost and interest receivable of performing loans are reclassified from other assets to loans and receivable.

Under SLFRS, all staff loans were recognised at fair value. The difference between the fair value and previous SLAS carrying amount, was recognised as prepaid staff cost and reported under other assets.

The measurement change has resulted in an adjustment of LKR 8,101 million.

**F Financial investments - Available for sale**

As per previous SLAS, investment portfolio which were held as strategic investments were recognised at cost. As per SLFRS such investments are classified as "Financial investments - Available for sale" and measured at fair value. Such investments include, unlisted equity shares, quoted strategic equity shares, units in unit trusts, treasury bills held o/a of Investment Fund Account and investments in Indian Government securities. The aggregate value of the investment portfolio has increased by LKR 6,002 million due to change of valuation base from cost to market value.

**F1 Financial investments - Held to maturity**

Treasury bills of LKR 130 million and treasury bonds of LKR 51,511 million were reported as "Financial investments - Held to maturity" at amortised cost measured using EIR. Those items were previously reported under "Treasury bills, bonds, other eligible bills" and "Treasury bonds maturing after one year" whilst the corresponding interest receivable have been classified under other assets. A measurement change of LKR 8 million has recognised as a result of EIR.

**G Other assets**

Under SLAS interest receivable pertaining to loans and advances, held to maturity financial investments, held for trading financial assests and available for sale financial investments were classified under other assets. However as per SLFRS, loans and advances and held to maturity financial investments were measured at amortised cost. Held for trading financial assets and available for sale financial investments were reported at fair value. Hence the interest receivable which was recorded under other assets has been reclassifed to respective financial instrument in arriving at amortised cost and total of that amounts to LKR 8,914 million. In addition to that prepaid staff cost arose due to the remeasurement of staff loan under SLFRS has been reflected as measurement change and amounting to LKR 6,743 million.

**H Securities sold under repurchase agreements**

Under the SLFRS, "Repurchase agreements" are reported at amortized cost, measured using EIR and has been reported under other borrowings.

**I Due to customers**

Under previous SLAS, deposits due to customers was reported separately and corresponding interest payable was reported under other liabilities. Under SLFRS, "Deposits due to customers" and the respective interest is aggregated together in arriving at amortised cost. Further interest payable on fixed maturity term deposits were calculated based on EIR. A measurement change of LKR 221 million has recognised as a result of EIR.

**J Other borrowings**

Under SLFRS, other borrowings are reported at amortised cost based on EIR. However, under previous SLAS, interest payables were measured based on simple interest method are recorded under other liabilities. A measurement change of LKR 244 million has been recognised as a result of EIR.

**K Debt securities issued and subordinated term debts**

Under previous SLAS, debentures were reported as a separate line item and measured using simple interest rate. Under SLFRS, debentures were reclassified in two reporting line items namely, "Debt securities issued" and "Subordinated term debts". Further as per SLFRS those have been measured using EIR.
A measurement change of LKR 20 million has been recognised as a result of interest measurement using EIR.

**57. FIRST-TIME ADOPTION OF SLFRS (Contd.)**

**57.2 Group**

**Consolidated Income statement**

**Reconciliation of Profit for the Year Ended 31st December 2011 - SLFRS 1 Disclosure**

| | | Group | | | |
|---|---|---|---|---|---|
| | Note | SLAS LKR '000 | Reclassification LKR '000 | Remeasurements LKR '000 | SLFRS LKR '000 |
| Interest income | A | 63,728,274 | 72,221 | 408,201 | 64,208,696 |
| Interest expenses | B | (37,383,766) | - | (881) | (37,384,647) |
| **Net interest income** | | 26,344,508 | 72,221 | 407,320 | 26,824,049 |
| Fee and commission income | C | 7,507,428 | 18,109 | (585,681) | 6,939,856 |
| Fee and commission expenses | | (614,376) | (10,705) | 15,838 | (609,243) |
| **Net fee and commission income** | | 6,893,052 | 7,404 | (569,843) | 6,330,613 |
| Net gain / (loss) on investment in securities | D | (1,258,757) | 1,258,757 | - | - |
| Net gain / (loss) from trading | D | - | 415,191 | (146,181) | 269,010 |
| Net gain / (loss) from financial investments | | - | 353,480 | - | 353,480 |
| Foreign exchange profit | | 1,747,564 | (1,747,564) | - | - |
| Dividend income | | 452,969 | (452,969) | - | - |
| Other operating income | | 1,945,775 | 857,407 | 282,429 | 3,085,611 |
| **Total Operating income** | | 36,125,111 | 763,927 | (26,275) | 36,862,763 |
| Provision for loans losses | | (564,528) | 564,528 | - | - |
| Recovery of non performing advances | | 874,687 | (874,687) | - | - |
| Impairment for loans and other losses | E | - | 347,863 | 961,881 | 1,309,744 |
| Reversal of provision for fall in value of investment in related companies | | | | | |
| **Net operating income** | | 36,435,270 | 801,631 | 935,606 | 38,172,507 |
| Personnel expenses | | (9,162,048) | (2,204,071) | (95,920) | (11,462,039) |
| Staff retirement benefits | | (2,204,071) | 2,204,071 | - | - |
| Premises, equipment and establishment expenses | | (2,896,478) | 2,896,478 | - | - |
| Other expenses | | (3,960,352) | (2,113,326) | (1,757,203) | (7,830,881) |
| **Total Operating expenses** | | (18,222,950) | 783,153 | (1,853,123) | (19,292,920) |
| **Operating profit / (loss) before value added tax (VAT)** | | 18,212,320 | - | 667,266 | 18,879,587 |
| Value added tax (VAT) on financial services | | (2,569,828) | - | (27,129) | (2,596,957) |
| Share of profit of associate companies before tax | | 208,716 | - | - | 208,716 |
| **Profit before income tax** | | 15,851,208 | - | 640,137 | 16,491,346 |
| Income tax expense | | (4,364,345) | - | (460,191) | (4,824,536) |
| **Profit for the year** | | 11,486,863 | - | 179,946 | 11,666,810 |
| **Profit attributable to :** | | | | | |
| Equity holder of the parent | | 11,362,720 | - | 229,358 | 11,592,078 |
| Non controlling interest | | 124,143 | - | (49,411) | 74,732 |
| **Profit for the year** | | 11,486,863 | - | 179,947 | 11,666,810 |

**57. FIRST-TIME ADOPTION OF SLFRS (Contd.)**

**Notes to the reconciliation of Income Statement for the year ended 31st December 2011 - Group (SLFRS 1)**

**A Interest income**

As per SLFRS, amortized cost of the financial assets includes cumulative amortisation using Effective Interest Rate (EIR). Accordingly, the difference between previously recognised interest income and interest measured as per EIR is adjusted in arriving at the SLFRS balance.

**B Interest expense**

Under SLFRS, other borrowed funds and debt securities in issue (debentures) are reported at amortised cost based on EIR.

**C Fee and commission income**

According to SLFRS, commission income recovered from services was amortised over the service period.

**D Net trading income / (expense)**

According to SLFRS, trading securities are valued as per market price and gain / (loss) from the valuation is reported in net trading income.

**E Impairment for loans and other losses**

Under previous SLAS provision for credit losses were computed based on the guidelines issued by Central Bank of Sri Lanka. Under SLFRS, provision for impairment is determined based on impairment indicators.

## 57. FIRST-TIME ADOPTION OF SLFRS (Contd.)

### 57.3.1 Group

**First time adoption of SLFRS**
**Reconciliation of equity as at 31st December 2011**

| | | Group | | | |
|---|---|---|---|---|---|
| | Note | SLAS LKR '000 | Reclassification LKR '000 | Remeasurements LKR '000 | SLFRS LKR '000 |
| **Assets** | | | | | |
| Cash and short term funds | | 18,789,308 | (8,401) | - | 18,780,907 |
| Balances with Central Banks | | 30,427,455 | (204,805) | - | 30,222,650 |
| Placements with and loans to other banks | A | 18,811,887 | (18,811,887) | - | - |
| Placements with banks | A | - | 18,885,470 | - | 18,885,470 |
| Securities purchased under resale agreements | | 1,616,849 | (1,616,849) | - | - |
| Derivative financial instruments | | - | 63,211 | - | 63,211 |
| Reverse repurchase agreements | | - | 1,636,964 | (6,799) | 1,630,165 |
| Dealing securities | B | 4,028,861 | (4,028,861) | - | - |
| Treasury bills, bonds and other eligible bills | B | 59,611,717 | (59,611,717) | - | - |
| Financial assets - Held for trading | B | - | 40,717,160 | 35,193 | 40,752,353 |
| Treasury bonds maturing after one year | | 33,497,189 | (33,497,189) | - | - |
| Investment securities | | 83,596,782 | (83,596,782) | - | - |
| Government of Sri Lanka Restructuring Bonds | | 8,547,000 | (8,547,000) | - | - |
| Financial investments - Loans and receivable | | - | 89,740,778 | (104,094) | 89,636,684 |
| Loans and advances to customers | C | 558,875,421 | (558,875,421) | - | - |
| Loans and advances to customers | C | - | 566,699,620 | (8,495,137) | 558,254,483 |
| Financial investments - Available for sale | D | - | 10,897,923 | 5,005,218 | 15,903,141 |
| Financial investments - Held to maturity | E | - | 52,138,355 | (295,894) | 51,842,461 |
| Investments in Associate Companies | | 1,282,678 | - | - | 1,282,678 |
| Investment properties | | 165,875 | - | | 165,875 |
| Property, plant and equipment | G | 12,721,462 | (979) | 4,760,460 | 17,480,943 |
| Leasehold properties | | 117,376 | - | - | 117,376 |
| Deferred tax assets | | - | 115 | 76,185 | 76,300 |
| Intangible assets | | 412,910 | 974 | (655) | 413,229 |
| Other assets | F | 23,889,746 | (12,960,076) | 8,245,884 | 19,125,554 |
| **Total assets** | | 856,392,516 | (979,397) | 9,220,361 | 864,633,480 |
| **Liabilities** | | | | | |
| Deposits | H | 597,138,584 | (597,138,584) | - | - |
| Due to banks | | - | 8,357,333 | | 8,357,333 |
| Derivative financial instruments | | - | 987,775 | | 987,775 |
| Due to customers | H | - | 603,562,303 | (155,877) | 603,406,426 |
| Securities sold under repurchase agreements | | 48,559,119 | (48,559,119) | - | - |
| Debentures | J | 42,526,549 | (42,526,549) | - | - |
| Borrowed funds | I | 99,780,804 | (99,780,804) | - | - |
| Other borrowings | I | - | 143,368,927 | (9,365) | 143,359,562 |
| Debt securities issued | I/J | - | 26,437,509 | (8,468) | 26,429,041 |
| Current tax liabilities | | 1,289,186 | - | - | 1,289,186 |
| Deferred tax liabilities | | 1,146,511 | - | 613,179 | 1,759,690 |
| Insurance provision - life | | 106,682 | - | 8,528 | 115,210 |
| Insurance provision - non life | | 328,251 | - | 14,597 | 342,848 |
| Other liabilities | | 22,134,513 | (13,046,029) | 3,313,790 | 12,402,274 |
| Subordinated term debts | J | - | 17,357,843 | (14,014) | 17,343,828 |
| **Total liabilities** | | 813,010,199 | (979,397) | 3,762,370 | 815,793,173 |
| **Equity** | | | | | |
| Share capital | | 5,000,000 | - | - | 5,000,000 |
| Permanent reserve fund | | 3,008,000 | - | - | 3,008,000 |
| Retained profits / Retained earnings | | 25,884,129 | - | (2,528,870) | 23,355,259 |
| Other reserves | | 8,109,528 | - | 7,918,489 | 16,028,017 |
| **Total equity attributable to the parent** | | 42,001,657 | - | 5,389,619 | 47,391,276 |
| Non controlling interest | | 1,380,660 | | 68,372 | 1,449,031 |
| **Total equity** | | 43,382,317 | - | 5,457,991 | 48,840,307 |
| **Total liabilities and equity** | | 856,392,516 | (979,397) | 9,220,361 | 864,633,480 |

**57. FIRST-TIME ADOPTION OF SLFRS (Contd.)**

**Notes to the reconciliation of Statement of Financial Position as at 31st December 2011- Group (SLFRS 1)**

**A Placements with banks**

LKR 18,811 million which was recorded at cost in "Placements with and loans to other banks" under previous SLAS, was recorded at amortised cost as per SLFRS under the line item "Placements with banks".

**B Financial assets - Held for trading**

LKR 40,717 million which was recorded under "Treasury bills, bonds, other eligible bills", "Treasury bonds maturing after one year" and "Dealing securities" now have been recorded under Financial assets - Held for trading according to SLFRS. LKR 35 million of remeasurement effect has been identified when restating the figures at fair value.

**C Loans & advances to customers**

Under previous SLAS, interest receivable as at reporting date occurring from non - impaired (performing) loans were reported under other assets as interest receivable. However, under SLFRS, commercial loans and receivables are reported at amortized cost and interest receivable of performing loans are reclassified from other assets to loans and receivable.

Under SLFRS, all staff loans were recognised at fair value. The difference between the fair value and the previous SLAS carrying amount, was recognised as prepaid staff cost and reported under other assets.

**D Financial investments - Available for sale**

As per SLAS, investment portfolio which were held as strategic investments were recognised at cost. As per SLFRS such investments are classified as "Financial investments - Available for sale" and measured at fair value. Such investments include, unlisted equity shares, quoted strategic equity shares, units in unit trusts and investments in Indian Government securities. The aggregate value of the investment portfolio has increased by LKR 5,005 million due to change of valuation base from cost to market value.

**E Financial investments - Held to maturity**

Under SLAS, interest receivable of held to maturity financial investments was classified under other assets. However as per SLFRS, Held to maturity financial investments were measured at amortised cost using EIR. A measurement change of LKR 296 million has recognised as a result of EIR.

**F Other assets**

Under SLAS, interest receivable pertaining to loans and advances and held to maturity financial investments were classified as other assets. However, as per SLFRS, loans and advances and held to maturity financial investments were measured at amortised cost. Hence respective interest receivable which was recorded under other assets was transferred to the respective financial instrument in arriving at amortised cost.

**G Property, plant & equipments**

Revaluation gain of LKR 4,760 million was recognised by revaluing buildings of Property Development PLC and Property Development & Management PLC as per the group accounting policy. Further Minority interest and deferred tax liability have been adjusted accordingly.

**H Due to customers**

Under previous SLAS, "Deposits due to customers" had been reported separately and corresponding interest payable was reported under other liabilities. Under SLFRS, "Deposits due to customers" and the respective interest is aggregated together in arriving at amortized cost. Further interest payable on fixed maturity term deposits were calculated based on EIR.

**I Other borrowings**

Under SLFRS, other borrowings are reported at amortized cost based on EIR. However, under previous SLAS, interest payable on those items were reported as at the reporting date based on the simple interest method, under other liabilities.

**J Debt securities issued and subordinated term debts**

Under previous SLAS, debentures worth of LKR 42,527 million was reported under the line item "Debentures", and measured using simple interest rate. Under SLFRS debentures were reclassified in two reporting line items namely, "Subordinated term debts" and "Debt securities issued". Further as per SLFRS those have been measured using EIR.

## 57. FIRST-TIME ADOPTION OF SLFRS (Contd.)

### 57.3.2 Group

**First time adoption of SLFRs.**

**Reconciliation of equity as at 1st January 2011 (Date of transition to SLFRS)**

| | | Group | | | |
|---|---|---|---|---|---|
| | Note | SLAS LKR '000 | Reclassification LKR '000 | Remeasurements LKR '000 | SLFRS LKR '000 |
| **Assets** | | | | | |
| Cash and short term funds | | 13,754,857 | 31,487 | - | 13,786,344 |
| Balances with Central Banks | | 25,894,466 | (252,502) | - | 25,641,964 |
| Placements with and loans to other banks | A | 47,773,386 | (47,773,386) | - | - |
| Placements with banks | A | - | 47,801,645 | 8,808 | 47,810,453 |
| Securities purchased under resale agreements | | 40,840,091 | (40,840,091) | - | - |
| Derivative financial instruments | | - | 239,780 | - | 239,780 |
| Reverse repurchase agreements | | - | 40,863,029 | 100 | 40,863,129 |
| Dealing securities | B | 3,805,443 | (3,805,443) | - | - |
| Treasury bills, bonds and other eligible bills | B | 46,348,696 | (46,348,696) | - | - |
| Financial assets - Held for trading | B | - | 47,710,446 | 142,025 | 47,852,471 |
| Treasury bonds maturing after one year | | 51,749,203 | (51,749,203) | - | - |
| Investment securities | | 81,118,367 | (81,118,367) | - | - |
| Government of Sri Lanka Restructuring Bonds | | 8,547,000 | (8,547,000) | - | - |
| Financial investments - Loans and receivable | | - | 88,543,639 | (94,961) | 88,448,678 |
| Loans and advances to customers | C | 382,587,797 | (382,587,797) | - | - |
| Loans and advances to customers | C | - | 385,407,852 | (5,930,139) | 379,477,713 |
| Financial investments - Available for sale | D | - | 8,356,558 | 6,429,916 | 14,786,474 |
| Financial investments - Held to maturity | E | - | 52,595,442 | 8,002 | 52,603,444 |
| Investments in Associate Companies | | 1,284,563 | - | (111,803) | 1,172,760 |
| Investment properties | | 386,867 | - | - | 386,867 |
| Property, plant and equipment | G | 7,370,308 | - | 3,998,837 | 11,369,145 |
| Leasehold properties | | 119,978 | - | - | 119,978 |
| Intangible assets | | 170,404 | - | (367) | 170,037 |
| Deferred tax assets | | - | - | 842,543 | 842,543 |
| Other assets | F | 18,313,650 | (8,741,593) | 6,925,228 | 16,497,285 |
| **Total assets** | | 730,065,076 | (214,200) | 12,218,189 | 742,069,065 |
| **Liabilities** | | | | | |
| Deposits | H | 529,318,700 | (531,224,976) | 1,906,276 | - |
| Due to banks | | - | 2,458,511 | - | 2,458,511 |
| Derivative financial instruments | | - | 157,854 | - | 157,854 |
| Due to customers | H | - | 537,395,665 | (242,465) | 537,153,200 |
| Securities sold under repurchase agreements | | 52,968,787 | (53,018,787) | 50,000 | - |
| Debentures | J | 39,434,565 | (39,452,049) | 17,484 | - |
| Borrowed funds | I | 57,432,015 | (57,443,378) | 11,363 | - |
| Other borrowings | I | - | 109,907,251 | (213,582) | 109,693,669 |
| Debt securities issued | I/J | - | 27,408,118 | (39,046) | 27,369,072 |
| Current tax liabilities | | 2,422,527 | - | - | 2,422,527 |
| Deferred tax liabilities | | 489,525 | - | 636,368 | 1,125,893 |
| Insurance provision - life | | 66,937 | | 11,744 | 78,681 |
| Insurance provision - non life | | 252,773 | | 11,717 | 264,490 |
| Other liabilities | | 16,417,750 | (9,875,199) | 4,857,173 | 11,399,724 |
| Subordinated term debts | J | | 13,472,789 | 19,236 | 13,492,025 |
| **Total liabilities** | | 698,803,579 | (214,200) | 7,026,267 | 705,615,646 |
| **Equity** | | | | | |
| Share capital | | 5,000,000 | - | - | 5,000,000 |
| Permanent reserve fund | | 2,777,500 | - | - | 2,777,500 |
| Retained profits / Retained earnings | | 20,393,029 | - | (3,776,536) | 16,616,493 |
| Other reserves | | 2,025,557 | - | 8,769,398 | 10,794,955 |
| **Total equity attributable to the parent** | | 30,196,086 | - | 4,992,862 | 35,188,948 |
| Non controlling interest | | 1,065,411 | - | 199,060 | 1,264,471 |
| **Total equity** | | 31,261,497 | - | 5,191,922 | 36,453,419 |
| **Total liabilities and equity** | | 730,065,076 | (214,200) | 12,218,189 | 742,069,065 |

**57. FIRST-TIME ADOPTION OF SLFRS (Contd.)**

**Notes to the reconciliation of Statement of Financial Position as at 1st January 2011- Group (SLFRS 1)**

**A Placements with banks**

LKR 47,773 million which had been recorded at cost in "Placements with and loans to other banks" under SLAS, was recorded at amortised cost as per SLFRS under the line item "Placements with banks".

**B Financial assets - Held for trading**

LKR 46,348 million which was recorded under "Treasury bills, bonds, other eligible bills", "Treasury bonds maturing after one year" and "Dealing securities" now have been recorded under Financial assets - Held for trading according to SLFRS. Due to the market valuation a measurement adjustment of LKR 142 million has been incorporated.

**C Loans & advances to customers**

Under SLAS interest receivable as at reporting date occurring from unimpaired (performing) loans were reported under other assets as interest receivable. However, under SLFRS, commercial loans and receivables are reported at amortised cost and interest receivable of performing loans are reclassified from other assets to loans and receivable.

Under SLFRS, all staff loans were recognised at fair value. The difference between the fair value and the previous SLAS carrying amount, was recognised as prepaid staff cost and reported under other assets.

**D Financial investments - Available for sale**

As per SLAS, investment portfolio which was held as strategic investments were recognised at cost. As per SLFRS such investments are classified as "Financial investments - Available for sale" and measured at fair value. Such investments include, unlisted equity shares, quoted strategic equity shares, units in unit trusts and investments in Indian Government securities. The aggregate value of the investment portfolio has increased by LKR 6,429 million due to change of valuation base from cost to market value.

**E Financial investments - Held to maturity**

Under SLAS interest receivable of held to maturity financial investments was classified under other assets. However as per SLFRS, Held to maturity financial investments were measured at amortised cost using EIR. A measurement change of LKR 8 million has recognised as a result of EIR adjustment.

**F Other assets**

Under SLAS, interest receivable pertaining to loans and advances and held to maturity financial investments were classified as other assets. However, as per SLFRS, loans and advances and held to maturity financial investments were measured at amortised cost. Hence respective interest receivable which was recorded under other assets was transferred to the respective financial instruments in arriving at amortised cost.

**G Property, plant & equipments**

Revaluation gain of LKR 3,998 million was recognised by revaluing buildings of Property Development PLC and Property Development & Management PLC as per the group accounting policy. Further, minority interest and deferred tax liability have been adjusted accordingly.

**H Due to customers**

Under previous SLAS, deposits due to customers had been reported separately and corresponding interest payable was reported under other liabilities. Under SLFRS, "Deposits due to customers" and the respective interest is aggregated together in arriving at amortised cost. Further interest payable on fixed maturity term deposits were calculated based on EIR.

**I Other Borrowings**

Under SLFRS, other borrowings are reported at amortised cost based on EIR. However, under previous SLAS interest payable on those items were reported as at the reporting date based on the simple interest method, under other liabilities.

**J Debt securities issued and subordinated term debts**

As per previous SLAS, debentures worth of LKR 39,452 million was reported under the line item "Debentures", and measured using simple interest rate. Under SLFRS, debentures were reclassified in two reporting line items namely, "Subordinated term debts" and "Debt securities issued". Further as per SLFRS those have been measured using EIR.

## 58. DETERMINATION OF FAIR VALUE AND FAIR VALUE HIERARCHY

For all financial instruments where fair values are determined by referring to externally quoted prices or observable pricing inputs to models, independent price determination or validation is obtained. In an inactive market, direct observation of a traded price may not be possible. In these circumstances, the Bank uses alternative market information to validate the financial instrument's fair value, with greater weight given to information that is considered to be more relevant and reliable.

Fair values are determined according to the following hierarchy:

**Level 1 :** Quoted market price (unadjusted) : financial instruments with quoted price in active markets.

**Level 2 :** Valuation technique using observable inputs : financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments are valued using models where all significant inputs are observable.

**Level 3 :** Valuation technique with significant unobservable inputs : financial instruments are valued using valuation techniques where one or significant inputs are observable.

The following tables show an analysis of financial instruments recorded at fair value by level of the fair value hierarchy.

| | Bank | | | | Group | | | |
|---|---|---|---|---|---|---|---|---|
| | Level 1 LKR '000 | Level 2 LKR '000 | Level 3 LKR '000 | Total LKR '000 | Level 1 LKR '000 | Level 2 LKR '000 | Level 3 LKR '000 | Total LKR '000 |
| **58.1.1 As at 31st December 2012** | | | | | | | | |
| **Financial assets** | | | | | | | | |
| **Derivative financial instruments** | | | | | | | | |
| Forward exchange contracts | - | 507,451 | - | 507,451 | - | 507,451 | - | 507,451 |
| | - | 507,451 | - | 507,451 | - | 507,451 | - | 507,451 |
| **Other financial assets held for trading** | | | | | | | | |
| Treasury bills | 4,965,858 | - | - | 4,965,858 | 4,965,858 | - | - | 4,965,858 |
| Treasury bonds | 8,619,512 | - | - | 8,619,512 | 8,619,512 | - | - | 8,619,512 |
| Other debt securities | - | - | - | - | 74,780 | | | 74,780 |
| Quoted equities | 1,955,815 | - | - | 1,955,815 | 2,370,664 | - | - | 2,370,664 |
| | 15,541,185 | - | - | 15,541,185 | 16,030,814 | - | - | 16,030,814 |
| **Financial investments - Available for sale** | | | | | | | | |
| **Quoted investments** | | | | | | | | |
| Treasury bills | 1,794,516 | - | - | 1,794,516 | 2,424,602 | - | - | 2,424,602 |
| Treasury bonds | 1,034,583 | - | - | 1,034,583 | 1,813,783 | - | - | 1,813,783 |
| Government securities | 1,172,664 | - | - | 1,172,664 | 1,172,664 | - | - | 1,172,664 |
| Equities | 3,136,759 | - | - | 3,136,759 | 3,972,856 | - | - | 3,972,856 |
| Unit Trust | 3,301,986 | - | - | 3,301,986 | 3,308,096 | - | - | 3,308,096 |
| **Unquoted investments** | | | | | | | | |
| Equities | - | - | 1,640,480 | 1,640,480 | - | - | 1,667,866 | 1,667,866 |
| | 10,440,508 | - | 1,640,480 | 12,080,988 | 12,692,001 | - | 1,667,866 | 14,359,867 |
| **Total** | 25,981,693 | 507,451 | 1,640,480 | 28,129,624 | 28,722,815 | 507,451 | 1,667,866 | 30,898,132 |
| **Financial liabilities** | | | | | | | | |
| **Derivative financial instruments** | | | | | | | | |
| Forward exchange contracts | - | 74,314 | - | 74,314 | - | 74,314 | - | 74,314 |
| | - | 74,314 | - | 74,314 | - | 74,314 | - | 74,314 |
| **Other financial liabilities held for trading** | | | | | | | | |
| Debt securities | - | - | - | - | - | - | - | - |
| **Total** | - | 74,314 | - | 74,314 | - | 74,314 | - | 74,314 |

**58. DETERMINATION OF FAIR VALUE AND FAIR VALUE HIERARCHY (Contd.)**

| | Bank | | | | Group | | | |
|---|---|---|---|---|---|---|---|---|
| | Level 1 LKR '000 | Level 2 LKR '000 | Level 3 LKR '000 | Total LKR '000 | Level 1 LKR '000 | Level 2 LKR '000 | Level 3 LKR '000 | Total LKR '000 |
| **58.1.2 As at 31st December 2011** | | | | | | | | |
| **Financial assets** | | | | | | | | |
| **Derivative financial instruments** | | | | | | | | |
| Forward exchange contracts | - | 63,211 | - | 63,211 | - | 63,211 | - | 63,211 |
| | - | 63,211 | - | 63,211 | - | 63,211 | - | 63,211 |
| **Other financial assets held for trading** | | | | | | | | |
| Treasury bills | 23,460,243 | - | - | 23,460,243 | 23,460,243 | - | - | 23,460,243 |
| Treasury bonds | 10,655,173 | - | - | 10,655,173 | 10,655,173 | - | - | 10,655,173 |
| Sri Lanka sovereign bond | 2,607,496 | - | - | 2,607,496 | 2,607,496 | - | - | 2,607,496 |
| Other debt securities | - | - | - | - | 579 | - | - | 579 |
| Quoted equities | 3,573,900 | - | - | 3,573,900 | 4,028,861 | - | - | 4,028,861 |
| | 40,296,812 | - | - | 40,296,812 | 40,752,352 | - | - | 40,752,352 |
| **Financial investments - Available for sale** | | | | | | | | |
| **Quoted investments** | | | | | | | | |
| Treasury bills | 1,519,568 | - | - | 1,519,568 | 2,359,913 | - | - | 2,359,913 |
| Treasury bonds | - | - | - | - | 1,046,517 | - | - | 1,046,517 |
| Government securities | 910,814 | - | - | 910,814 | 910,814 | - | - | 910,814 |
| Equities | 3,322,903 | - | - | 3,322,903 | 4,434,144 | - | - | 4,434,144 |
| Unit Trust | 3,688,027 | - | - | 3,688,027 | 3,692,907 | - | | 3,692,907 |
| **Unquoted investments** | | | | | | | | |
| Equities | - | - | 3,422,990 | 3,422,990 | - | - | 3,456,519 | 3,456,519 |
| | 9,441,312 | - | 3,422,990 | 12,864,302 | 12,444,295 | - | 3,456,519 | 15,900,814 |
| **Total** | 49,738,125 | - | 3,422,990 | 53,161,114 | 53,196,647 | - | 3,456,519 | 56,653,166 |
| **Financial liabilities** | | | | | | | | |
| **Derivative financial instruments** | | | | | | | | |
| Forward exchange contracts | - | 987,775 | - | 987,775 | - | 987,775 | - | 987,775 |
| | - | 987,775 | - | 987,775 | - | 987,775 | - | 987,775 |
| **Other financial liabilities held for trading** | | | | | | | | |
| Debt securities | - | - | - | - | - | - | - | - |
| | - | - | - | - | - | - | - | - |
| **Total** | - | 987,775 | - | 987,775 | - | 987,775 | - | 987,775 |

**59. RISK MANAGEMENT**

**59.1 Introduction**

**Overview**

The Bank considers Credit risk, Market risk, Liquidity risk and Operational risk as key risks faced by the Bank.

Information presented in this note focuses on the Bank's exposure to above risks, since the Bank (ultimate parent) accounts for more than 95% of total assets, liabilities, income and expenses of the Group.

**Risk management framework**

Risk management governance structure of the Bank begins with oversight of the Board of Directors, which assures the performance of overall risk management framework. The Board establishes the risk appetite and set strategic direction through risk management policies. The Board is assisted in discharging its duties on risk management by Integrated Risk Management Committee (IRMC).

The Bank's Independent Integrated Risk Management Division (IIRMD) is headed by the Chief Risk Officer (CRO), who directly reports to the IRMC. CRO is a member of executive level committees such as Credit Committee, Asset and Liability Committee (ALCO), Operational Risk Management Executive Committee (ORMEC), IT Steering Committee and Non Performing Advances Monitoring Committee, which assist in managing the various risks that the Bank is exposed to.

**Risk measurement and reporting systems**

The Bank's risks are measured using methods that reflect both the expected loss likely to arise in normal circumstances and unexpected losses, which is an estimate of the ultimate actual loss based on statistical models.

The IRMC receives a comprehensive risk report, which provides necessary information to assess risks of the Bank.

Moreover, Stress Testing and Internal Capital Adequacy Assessment Process (ICAAP) give an in-depth understanding of the expected as well as unexpected losses of the Bank. Considering the nature, size and complexity of the operation, the Bank has introduced a capital assessment process to understand the optimum capital level required to meet unforeseen contingencies.

## 59. RISK MANAGEMENT (Contd.)

### 59.1 Introduction (Contd.)

**Risk measurement and reporting systems**

**Risk mitigation**

As part of its overall risk management framework, the Bank uses mitigation techniques and strategies to minimize the risk. For instance, in managing credit risk, the Bank actively uses pre-sanction credit evaluation and monitoring as well as post sanction monitoring and credit risk review programmes to mitigate the risk. However the Bank recognises a well-secured loan has less credit risk than an otherwise equivalent unsecured loan and therefore the Bank encourages obtaining adequate collateral whenever it is possible.

The Bank uses derivatives to manage exposures resulting from changes in market conditions and exposures arising from forecasted transactions.

### 59.2 Credit risk

Credit risk arises when a bank's borrower or counterparty fails to meet it's obligations in accordance with agreed terms.

Board approved credit risk management policy and lending guidelines establish the framework for lending and guides the credit-granting activities of the Bank. This covers credit risk identification, acceptance, measurement, monitoring, reporting and control at both transaction level as well as portfolio level.

#### 59.2.1 Maximum exposure to credit risk

**(i) Type of collateral or credit enhancement**

The Bank holds collateral against loans and advances to customers in the form of mortgage interests over immovable assets, other registered securities over assets and guarantees. Collaterals are valued at the time of granting the facilities and fair value of collaterals are periodically obtained according to the regulatory requirements.

**(ii) Credit quality by class of financial assets**

IIRMD internally developed a corporate borrower rating system and credit scoring models. The borrower rating system categorises all credits into various classes on the basis of underlying credit quality.

For consumer lending, the Bank has developed several credit-scoring models for processing loan applications and monitoring credit quality. The Bank continuously review credit applications rigorously.

| Credit quality by class of financial assets | Neither past due nor impaired LKR '000 | Past due but not impaired LKR '000 | Individually impaired LKR '000 | Total LKR '000 |
|---|---|---|---|---|
| **Financial Assets** | | | | |
| Cash and short term funds | 31,544,558 | - | - | 31,544,558 |
| Balances with Central Banks | 29,963,240 | - | - | 29,963,240 |
| Placements with banks | 19,394,466 | - | - | 19,394,466 |
| Derivative financial instruments | 507,451 | - | - | 507,451 |
| Reverse repurchase agreements | 797,425 | - | - | 797,425 |
| Financial assets - Held for trading | 15,541,185 | - | - | 15,541,185 |
| Financial investments - Loans and receivable | 99,206,859 | - | - | 99,206,859 |
| Loans and advances to customers | 612,579,617 | 89,604,464 | 12,662,635 | 714,846,716 |
| Less: Impairment | - | - | - | (22,947,509) |
| Financial investments - Available for sale | 10,618,538 | - | 1,462,450 | 12,080,988 |
| Financial investments - Held to maturity | 110,956,202 | - | - | 110,956,202 |
| | 931,109,541 | 89,604,464 | 14,125,085 | 1,011,891,581 |

| Age analysis of past due but not impaired loans | Up to 30 days LKR '000 | 30-60 days LKR '000 | 60-90 days LKR '000 | 90-180 days LKR '000 | 180 days and over LKR '000 | Total LKR '000 |
|---|---|---|---|---|---|---|
| Loans and advances to customers | 50,663,506 | 15,568,429 | 3,795,754 | 4,450,414 | 15,126,361 | 89,604,464 |

**Note:**

Past due but not impaired loans and advances to customers include loans and advances that are in arrears for more than one day.

**59. RISK MANAGEMENT (Contd.)**

**59.2 Credit risk (Contd.)**

**59.2.1 Maximum exposure to credit risk**

**59.2.2 Impairment assessment**

At each reporting date the Bank assesses whether there is objective evidence that financial assets are impaired. A financial asset or a group of financial assets is impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows of the asset that can be estimated reliably.

The Bank considers evidence of impairment for loans and advances at both individual asset and collective level. All significant loans and advances are individually assessed for impairment. Those loans and advances found not to be individually impaired are then collectively assessed for any impairment that has been incurred but not yet identified.

Loans and advances that are not individually significant are collectively assessed for impairment by grouping together with similar risk characteristics. In assessing collective impairment, the Bank uses statistical modelling of historical trends of the probabilities of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical modelling. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

**Impairment losses**

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Impairment losses are recognised in the Income Statement and reflected in impairment charges against loans and advances, in the Statement of Financial Position.

The Bank writes off certain loans and advances to customers and financial investments when they are determined to be uncollectible.

**59.2.3 Analysis of risk concentration**

At the portfolio level, credit risk includes concentration risk arising from interdependencies between counterparties (large credit exposures) and concentration of exposures to industry sectors and geographical regions.

Risk concentrations of the Bank are monitored within the scope of risk appetite limits approved by the Board of Directors.

**59.2.3.1 Industry wise exposure**

| | Agriculture and fisheries LKR '000 | Banking finance and insurance LKR '000 | Hotels travels and services LKR '000 | Housing and construction LKR '000 | Manu-facturing LKR '000 | Wholesale and retail trade LKR '000 | Export and imports LKR '000 | Sovereign & SOE exposure LKR '000 | Consumption and others LKR '000 | Total LKR '000 |
|---|---|---|---|---|---|---|---|---|---|---|
| Cash and short term funds | - | 12,799,866 | - | - | - | - | - | - | 18,744,692 | 31,544,558 |
| Balances with Central Banks | - | - | - | - | - | - | - | 29,963,240 | - | 29,963,240 |
| Placements with banks | - | 19,394,466 | - | - | - | - | - | - | - | 19,394,466 |
| Derivative financial instruments | - | 414,121 | - | - | - | - | - | 93,330 | - | 507,451 |
| Reverse repurchase agreements | - | 797,425 | - | - | - | - | - | - | - | 797,425 |
| Financial assets - Held for trading | 70,778 | 84,460 | 445,512 | 113,479 | 814,308 | 80,603 | - | 13,585,370 | 346,675 | 15,541,185 |
| Financial investments - Loans and receivable | - | 1,135,313 | - | - | - | 39,105 | - | 98,032,442 | - | 99,206,859 |
| Loans and advances to customers | 112,571,474 | 11,834,762 | 41,485,214 | 93,327,267 | 12,220,612 | 12,707,908 | 19,513,249 | 274,224,964 | 114,013,757 | 691,899,207 |
| Financial investments - Available for sale | - | 6,480,733 | - | - | - | - | - | 4,001,763 | 1,598,492 | 12,080,988 |
| Financial investments - Held to maturity | - | - | - | - | - | - | - | 110,956,202 | - | 110,956,202 |
| | 112,642,252 | 52,941,146 | 41,930,726 | 93,440,746 | 13,034,920 | 12,827,616 | 19,513,249 | 530,857,311 | 134,703,616 | 1,011,891,581 |

**59. RISK MANAGEMENT (Contd.)**

**59.2 Credit risk (Contd.)**

**59.2.3.2 Country wise exposure**

The Bank maintains exposures outside Sri Lanka mainly due to its two branches in India and Maldives and the subsidiary operating in United Kingdom (UK). The exposure in India is mainly coming from the branch which operates in Chennai while Maldive exposure is mainly from Branch in Male and few credits granted directly from Colombo head office through the off-shore banking unit. Both these entities are operating with pre-set limits (credit limits as well as country limits) and are approved by the Board of Directors of Bank of Ceylon while the credits are managed through delegated authority where the higher levels of authority is retained within Head Office in Colombo.

UK exposure is the total assets of the Bank's fully owned subsidiary operating under regulatory purview of UK Financial Services Authority and the credit decisions are decentralized with Head Office having its control through the Board of Directors appointed by the Bank. The key staff including Chief Executive Officer and Deputy Chief Executive Officer are employees seconded from Bank of Ceylon. UK operations have established risk exposure levels as part of its risk management framework.

Exposures in other countries include correspondent bank balances whose risks are managed through Board approved bank limits and country limits.

| | Sri Lanka LKR '000 | UK LKR '000 | Republic of Maldives LKR '000 | India LKR '000 | USA LKR '000 | Other countries LKR '000 | Total LKR '000 |
|---|---|---|---|---|---|---|---|
| Cash and short term funds | 18,502,510 | 455,403 | 281,272 | 126,850 | 9,531,145 | 2,647,378 | 31,544,558 |
| Balances with Central Banks | 26,790,379 | - | 2,874,866 | 297,995 | - | - | 29,963,240 |
| Placements with banks | 891,288 | 8,741,771 | - | 2,889,609 | - | 6,871,798 | 19,394,466 |
| Derivative financial instruments | 164,681 | 104,286 | - | 109,268 | - | 129,216 | 507,451 |
| Reverse repurchase agreements | 797,425 | - | - | - | - | - | 797,425 |
| Financial assets - Held for trading | 15,541,185 | - | - | - | - | - | 15,541,185 |
| Financial investments - Loans and receivable | 96,100,510 | - | 3,106,349 | - | - | - | 99,206,859 |
| Loans and advances to customers | 683,046,207 | - | 6,808,000 | 2,045,000 | - | - | 691,899,207 |
| Financial investments - Available for sale | 10,908,323 | - | - | 1,172,665 | - | - | 12,080,988 |
| Financial investments - Held to maturity | 110,956,202 | - | - | - | - | - | 110,956,202 |
| Investment in Subsidiary Companies | 4,108,989 | 2,683,859 | - | - | - | - | 6,792,848 |
| Investment in Associate Companies | 842,988 | - | - | - | - | - | 842,988 |
| Property, plant and equipment | 11,388,226 | - | 1,249 | 41,352 | - | - | 11,430,827 |
| Leasehold properties | 84,976 | - | - | - | - | - | 84,976 |
| Intangible assets | 376,002 | - | - | - | - | - | 376,002 |
| Deferred tax assets | - | - | - | - | - | - | - |
| Other assets | 16,801,769 | - | - | - | - | - | 16,801,769 |
| **Total assets** | 997,301,657 | 11,985,319 | 13,071,737 | 6,682,739 | 9,531,145 | 9,648,392 | 1,048,220,991 |
| **Liabilities** | | | | | | | |
| Due to banks | 9,702,675 | - | - | 80,808 | - | 344,500 | 10,127,983 |
| Derivative financial instruments | 50,326 | 1,868 | - | 21,415 | - | 705 | 74,314 |
| Due to customers | 679,399,373 | - | 11,423,240 | 2,618,029 | - | - | 693,440,642 |
| Other borrowings | 62,497,995 | 10,672,804 | - | - | 19,172,235 | 141,452,481 | 233,795,515 |
| Debt securities issued | 23,296,349 | - | - | - | - | - | 23,296,349 |
| Current tax liabilities | 2,208,461 | - | - | - | - | - | 2,208,461 |
| Deferred tax liabilities | 351,279 | - | - | - | - | - | 351,279 |
| Other liabilities | 10,062,104 | - | 93,438 | - | - | - | 10,155,542 |
| Subordinated term debts | 23,818,024 | - | - | - | - | - | 23,818,024 |
| **Total liabilities** | 811,386,586 | 10,674,671 | 11,516,678 | 2,720,252 | 19,172,235 | 141,797,686 | 997,268,109 |

Note: Other borrowings amounting to LKR 141 billion under other countries, mainly consist of borrowings from Oman amounting to LKR 18 billion, China amounting to LKR 35 billion and United Arab Emirates amounting to LKR 36 billion.

**59.2.4 Commitments and guarantees**

To meet the financial needs of customers, the Bank enters into various irrevocable commitments and contingent liabilities. Even though these obligations have not been recognised on the Statement of Financial Position, they do contain credit risk and are therefore part of the overall risk of the Bank.

The maximum exposure to credit risk relating to a guarantee is the maximum amount the Bank could have to pay if the guarantee is called upon. The maximum exposure to credit risk relating to a loan commitment is the full amount of the commitment. In both cases, the maximum risk exposure is significantly greater than the amount recognized as a liability in the Statement of Financial Position.

The table below shows the Bank's maximum credit risk exposure for commitments and guarantees.

**59. RISK MANAGEMENT (Contd.)**

**59.2.4 Commitments and guarantees (Contd.)**

| As at 31st December | 2012 LKR'000 | 2011 LKR'000 |
|---|---|---|
| Guarantees issued | 84,232,029 | 70,916,410 |
| Acceptance and documentary credit | 145,792,017 | 167,646,665 |
| Forward exchange contracts | 81,604,962 | 72,188,498 |
| Undrawn commitments | 135,529,611 | 92,491,193 |
| Other commitments | 8,022,196 | 6,504,402 |
| | 455,180,815 | 409,747,168 |

**59.3 Liquidity risk and funding management**

Being the largest commercial bank, Bank of Ceylon plays a pivotal role in the economy by holding the largest asset base of all commercial banks in Sri Lanka. Proper management of assets and liabilities would optimise the asset quality and the profitability of the Bank.

ALCO being the main management committee for taking important decisions on managing liquidity and market risk, reviews Bank's funding plan monthly and proposes remedial measures to rectify any material deviation which might lead to a stress liquidity situation.

Treasury Division prepares the Maturity Gap Analysis on each quarter as per the statutory requirement of CBSL. Assets and liabilities of the Bank are positioned in to pre-defined time bands according to their residual term to maturity.

The table in Note 54 indicates the contractual expiry by maturity of the Bank's assets and liabilities as at 31st December 2012.

**59.4 Market risk**

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices. The Bank classifies exposures to market risk into either trading or non–trading portfolios and manages each of those portfolios separately. The market risk for the Foreign Exchange and Equity trading portfolio are managed and monitored based on a Value–at–Risk (VaR) methodology that reflects the interdependency between risk variables. The market risk for the interest rate risk related trading portfolio is managed and monitored based on Price Value of Basis Points (PVBP) and Duration Analysis. Non–trading positions are managed and monitored using stress testing.

**59.4.1 Objectives and limitations of the VaR methodology**

The Bank uses variance - covariance VaR model to assess possible changes in the market value of the trading portfolio based on historical data from the past 370 days. The VaR models are designed to measure foreign exchange risk & equity price risk in a normal market environment. The models assume that any changes occurring in the risk factors affecting the normal market environment will follow a normal distribution.

Due to the fact that VaR relies heavily on historical data to provide information and does not clearly predict the future changes & modifications of the risk factors and the probability of large market moves that may be underestimated if changes in risk factors fail to align with the normal distribution assumption. VaR may also be under– or over–estimated due to the assumptions placed on risk factors and the relationship between such factors for specific instruments. Even though positions may change throughout the day, the VaR only represents the risk of the portfolios at the close of each business day, and it accounts only for losses that may occur at the 99% confidence level.

In practice, the actual trading results will differ from the VaR calculation. In particular, the calculation does not provide a meaningful indication of profits and losses in stressed market conditions. To determine the reliability of the VaR models, actual outcomes are monitored regularly to test the validity of the assumptions and the parameters used in the VaR calculation.

**VaR assumptions**

The VaR that the Bank measures is an estimate, using a confidence level of 99%, of the potential loss that is not expected to be exceeded if the current market risk positions were to be held unchanged for one day. The use of a 99% confidence level means that, within a one-day horizon, losses exceeding the VaR figure should occur, on average under normal market conditions, not more than once in every hundred days.

Since VaR is an integral part of the Bank's market risk management, VaR limits have been established for equity & foreign exchange trading operations and exposures are monitored daily against the limits.

**59.4.2 Market risk - Trading**

**59.4.2.1 Currency risk**

The Bank does not carry foreign currency trading open positions and therefore does not have significant sensitivity to profit and loss over foreign currency trading transactions.

## 59. RISK MANAGEMENT (Contd.)

### 59.4.2 Market risk - Trading (Contd.)

#### 59.4.2.2 Equity risk

Equity price risk is the risk that the fair value of equities decreases as the result of changes in the level of equity indices and individual stocks.

| Equity VaR | 2012 LKR'000 |
|---|---|
| Highest | 210,304 |
| Lowest | 122,083 |
| Average | 158,438 |
| 31st December | 129,979 |

#### 59.4.2.3 Interest rate risk

PVBP is calculated weekly to monitor the impact of interest rate changes on Bank's trading portfolios of treasury bonds and bills. Following tables depicts the results as at 31st December 2012.

| Increase in basis points | Sensitivity to profit & loss LKR'000 | Decrease in basis points | Sensitivity to profit & loss LKR'000 |
|---|---|---|---|
| 25 | (20,149) | 25 | 33,806 |

### 59.4.3 Market risk – non trading

#### 59.4.3.1 Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Board has set limits on currency positions. In accordance with the Bank's policy and CBSL directions, positions are monitored on a daily basis.

The Bank monitors non trading currency risk through Value at Risk and currency VaR as at 31st December 2012 was only LKR 529,010

#### 59.4.3.2 Equity risk

The non trading equity price risk arises from equity securities classified as Available for sale. A 10% decrease in the equity price level would cause a potential negative impact of LKR 47.5 million.

#### 59.4.3.3 Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair value of the financial instruments.

The table in Note 54 analyses the Bank's interest rate risk exposure on non-trading financial assets and liabilities. The Bank's assets & liabilities are included at carrying amount and categorized by the earlier of contractual re-pricing or maturity date.

**Contractual Maturities of Financial Assets and Liabilities**

The following table presents a maturity analysis of the earliest contractual undiscounted cash flows for financial liabilities as at 31st December 2012.

| | On demand LKR'000 | Less than 3 months LKR'000 | 3 to 12 months LKR'000 | 1 to 5 years LKR'000 | Over 5 years LKR'000 | Total LKR'000 |
|---|---|---|---|---|---|---|
| Due to banks | - | 10,279,583 | - | - | - | 10,279,583 |
| Due to customers | 313,592,135 | 169,971,612 | 208,692,049 | 20,513,632 | 403,706 | 713,173,134 |
| Other borrowings | - | 82,110,269 | 77,903,381 | 110,591,620 | 1,287,014 | 271,892,284 |
| Debt securities issued | - | - | 5,305,644 | 27,201,701 | - | 32,507,345 |
| Subordinated debentures | - | 51,569 | 10,487,164 | 22,881,340 | - | 33,420,073 |
| | 313,592,135 | 262,413,033 | 302,388,238 | 181,188,293 | 1,690,720 | 1,061,272,419 |

Balances in the above table will not agree directly with those in our Statement of Financial Position as the table incorporates, on an undiscounted basis, all cash flows relating to principal and future interest payments.

**59. RISK MANAGEMENT (Contd.)**

**59.5 Operational Risk**

Operational risk is the risk of loss resulting from inadequate or failed processes, people and systems or external events. This includes legal risk, but excludes strategic risk and reputation risk.

The Bank recognises the significance of operational risk, which is inherent in all areas of business. The Bank seeks to minimize exposure to operational risk, through implementing improved management and measurement approaches.

Bank uses Basic Indicator Approach (BIA) to allocate capital for operational risk, even though the capital allocated for operational risk was significant, it was apparent that actual operational loss was far below the allocated capital.

| Year | 2012<br>LKR'000 | 2011<br>LKR'000 | 2010<br>LKR'000 |
|---|---|---|---|
| Capital charge for Operational Risk | 5,618,104 | 4,245,548 | 3,490,044 |
| Actual Operational Losses | 65,689 | 5,651 | 78,740 |

**59.6 Capital Management**

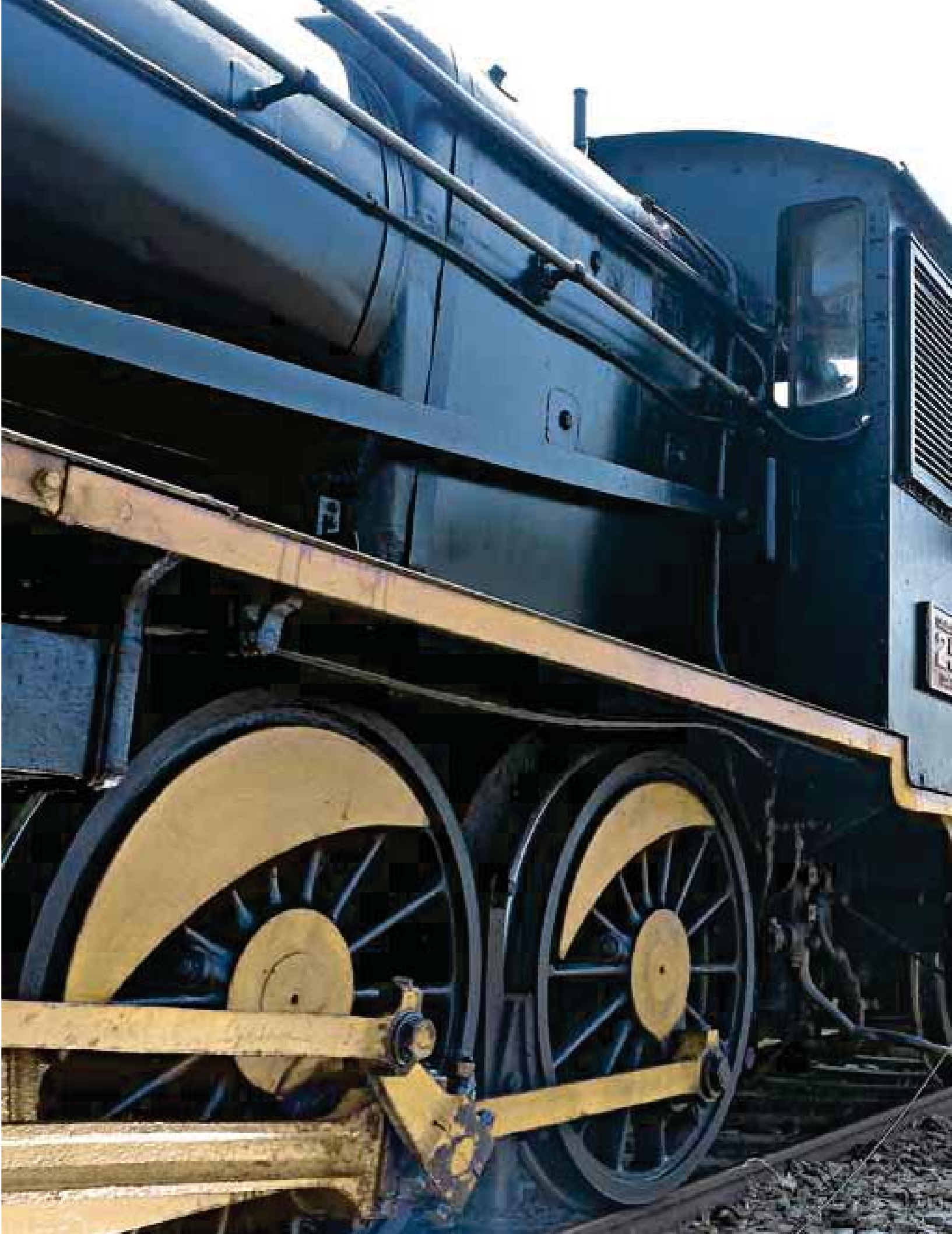
The primary objective of Capital Management is to ensure maintenance of minimum regulatory capital requirement. The Bank ensures that adequate capital has been allocated to achieve strategic objectives and within the Risk Appetite of the Bank.

**59.6.1 Capital Adequacy**

Capital Adequacy Ratio (CAR), also called Capital to Risk weighted Assets Ratio (CRAR), is a measure of the Bank's capital expressed as a percentage of risk weighted assets of credit, market and operational aspects of the banking business. It is a measure of financial strength of the Bank which indicates its ability to maintain adequate capital to face with unforeseen scenarios.

The objective of capital adequacy is to protect the bank itself, its customers and the economy, by establishing rules to make sure that the Bank holds sufficient capital to ensure continuity of a safe and efficient market and able to withstand any foreseeable problems.

Central Bank of Sri Lanka (CBSL) defines and monitors CAR to ensure that banks are not participating or holding investments that increase the risk of default and that they have enough capital to sustain operating losses and thereby maintaining confidence in the banking system.



# Capital Adequacy

Capital Adequacy Ratio (CAR), also called Capital to Risk (Weighted) Assets Ratio (CRAR), is a measure of a bank's capital expressed as a percentage of risk weighted assets of credit, market and operational aspects of the banking business. It is a measure of financial strength of a bank which indicates it's ability to maintain adequate capital to meet any unexpected losses.

$$\text{CAR} = \frac{\text{Tier I capital} + \text{Tier II capital}}{\text{Risk weighted assets}}$$

The objective of capital adequacy is to protect the banks themselves, their customers and the economy, by establishing rules to make sure that these institutions hold sufficient capital to ensure continuity of a safe and efficient market and able to withstand liquidity shocks and any foreseeable problems. Central Bank of Sri Lanka defines and monitors CAR to ensure that banks are not participating or holding investments that increase the risk of default and that they have enough capital to sustain operating losses while still honoring withdrawals, thereby maintaining confidence in the banking system.

**Basel Accords**

Basel Committee on Banking Supervision housed at the Bank for International Settlements has established rules around capital requirements commonly known as Basel Accords. Basel Accord is an agreement between bank supervisory authorities on the level of bank's capital with respect to bank's risk, as bank's capital is the "cushion" for potential losses.

**Basel II**

In 1988, the committee decided to introduce a capital measurement system referred to as Basel I. This framework has been replaced by a significantly more complex framework for the International Convergence of Capital Measurement and Capital Standards commonly known as Basel II, which structured three pillars, as depicted below.

**Basel III**

The third Basel Accord is a comprehensive global regulatory standard on bank capital adequacy, stress testing and market liquidity risk agreed upon by the members of the Basel Committee scheduled to be introduced from 2013. The third of the Basel Accords was developed in response to the deficiencies in financial regulation revealed by the global financial crisis. Basel III strengthens bank capital requirements and introduces new regulatory requirements to strengthen the regulation, supervision of the banking sector. The aim is to:

- improve the banking sector's ability to absorb shocks arising from financial and economic stress
- improve risk management and governance
- strengthen banks' transparency and disclosure

**Computation of Capital**

All commercial banks are required to compute capital adequacy on the solo basis and on the consolidated basis. Two types of capital are measured: Tier I capital , which can absorb losses without a bank being required to cease trading, and Tier II capital ,which can absorb losses in the event of a winding-up .Banks are required to maintain minimum of 5% of Tier I CAR and minimum of 10% of Tier I plus Tier II CAR as determined by the Monetary Board.

**Pillar 1**

- **Minimum Capital requirement** - Calculation of minimum capital requirement for credit, market and operational risk.

**Pillar 2**

- **Supervisory review process** - On and Off sight supervision by Central Bank to encourage banks to use better risk management techniques.

**Pillar 3**

- **Market discipline** - Bolster Market discipline through enhanced disclosure by banks to complement the requirements under pillar 1 and 2.

| For the year ended 31st December | Bank | | Group | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| | LKR million | LKR million | LKR million | LKR million |
| **Tier I:Core capital** | | | | |
| Paid-up ordinary shares | 5,000 | 5,000 | 5,000 | 5,000 |
| Permanent reserve fund | 3,286 | 3,008 | 3,286 | 3,008 |
| Published retained profits | 27,639 | 21,733 | 29,318 | 23,355 |
| General and other reserves | 6,402 | 2,831 | 7,282 | 3,324 |
| Minority interests (Consistent with the above capital constituents) | | - | 1,417 | 1,449 |
| Deductions | (3,105) | (3,039) | (636) | (846) |
| **Total eligible core capital (Tier I capital)** | **39,222** | **29,533** | **45,667** | **35,290** |
| **Tier II: Supplementary capital** | | | | |
| Revaluation reserves (as approved by Central Bank of Sri Lanka) | 2,306 | 2,306 | 2,306 | 2,306 |
| General provisions | 2,564 | 1,968 | 2,564 | 1,968 |
| Approved subordinated term debt | 12,988 | 10,348 | 12,988 | 10,348 |
| Deductions | (2,729) | (2,696) | (260) | (503) |
| **Total eligible supplementary capital (Tier II capital)** | **15,129** | **11,926** | **17,598** | **14,119** |
| **Total capital base** | **54,351** | **41,459** | **63,265** | **49,409** |

**Computation of Risk Weighted Assets**
**Credit Risk –The Standardised Approach**

| | | Bank | | | | Group | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | 2012 | | 2011 | | 2012 | | 2011 | |
| | Risk weight factor | On Balance Sheet assets & credit equivalent of Off Balance Sheet assets LKR million | Risk weighted assets LKR million | On Balance Sheet assets & credit equivalent of Off Balance Sheet assets LKR million | Risk weighted assets LKR million | On Balance Sheet assets & credit equivalent of Off Balance Sheet assets LKR million | Risk weighted assets LKR million | On Balance Sheet assets & credit equivalent of Off Balance Sheet assets LKR million | Risk weighted assets LKR million |
| **Assets** | | | | | | | | | |
| Claims on Government of Sri Lanka and Central Bank of Sri Lanka | 0 | 353,621 | - | 268,914 | - | 356,298 | - | 271,708 | 0 |
| Claims on foreign sovereigns and their Central Banks | 0-150 | 7,244 | 6,631 | 3,891 | 3,395 | 7,244 | 6,631 | 3,891 | 3,395 |
| Claims on Public Sector Entities (PSEs) | 20-150 | 59,753 | 59,753 | 44,033 | 44,033 | 59,753 | 59,753 | 44,033 | 44,033 |
| Claims on banks | 20-150 | 63,464 | 36,061 | 28,590 | 14,859 | 63,464 | 36,061 | 28,590 | 14,859 |
| Claims on financial institutions | 20-150 | 5,090 | 3,392 | 7,300 | 4,078 | 5,090 | 3,392 | 7,300 | 4,078 |
| Claims on corporates | 20-150 | 116,160 | 111,827 | 93,487 | 92,418 | 140,220 | 135,887 | 112,294 | 111,225 |
| Retail claims | 75-100 | 120,622 | 101,311 | 99,105 | 84,998 | 120,622 | 101,311 | 99,105 | 84,998 |
| Claims secured by residential property | 50-100 | 36,116 | 25,571 | 26,763 | 20,423 | 36,116 | 25,571 | 26,763 | 20,423 |
| Non-Performing Assets (NPAs) | 50-150 | 11,658 | 16,640 | 4,353 | 6,104 | 11,658 | 16,640 | 4,353 | 6,104 |
| Cash Items | 0-20 | 23,300 | 911 | 17,342 | 1,100 | 23,711 | 911 | 17,460 | 1,100 |
| Exposures collateralized by cash, gold & Government securities | 0 | 304,851 | - | 268,750 | - | 304,851 | - | 268,750 | - |
| Property, plant & equipment | 100 | 10,819 | 10,819 | 10,595 | 10,595 | 18,013 | 18,013 | 13,005 | 13,005 |
| Other assets | 100 | 38,751 | 38,751 | 40,215 | 40,215 | 40,307 | 40,307 | 41,363 | 41,363 |
| **Total exposure** | | **1,151,449** | **411,667** | **913,338** | **322,218** | **1,187,347** | **444,477** | **938,615** | **344,583** |

| | | Bank | | | | Group | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | 2012 | | 2011 | | 2012 | | 2011 | |
| **Off Balance Sheet exposures** | Credit conversion Factor % | Assets LKR million | Credit equivalent LKR million | Assets LKR million | Credit equivalent LKR million | Assets LKR million | Credit equivalent LKR million | Assets LKR million | Credit equivalent LKR million |
| Direct credit substitutes | 100 | 49,424 | 49,424 | 33,490 | 33,490 | 49,424 | 49,424 | 33,490 | 33,490 |
| Transaction-related contingencies | 50 | 26,449 | 13,224 | 16,980 | 8,490 | 26,449 | 13,224 | 16,980 | 8,490 |
| Short-term self-liquidating trade-related contingencies | 20 | 152,203 | 30,441 | 177,608 | 35,522 | 152,203 | 30,441 | 177,608 | 35,522 |
| Other commitments with an original maturity of up to one year or which can be unconditionally cancelled at any time | 0 | 31,873 | | 25,825 | - | 31,873 | | 25,825 | - |
| Commitments with an original maturity up to one year & maturity of over one year | | 25,145 | 12,251 | 9,047 | 2,622 | 25,145 | 12,251 | 9,047 | 2,622 |
| Foreign exchange contracts | 0-5 | 80,938 | 1,619 | 72,188 | 1,444 | 80,938 | 1,619 | 72,188 | 1,444 |
| **Total Off Balance Sheet exposure** | | **366,032** | **106,959** | **335,138** | **81,568** | **366,032** | **106,959** | **335,138** | **81,568** |

**Market Risk- The Standardised Measurement Approach**

| | Bank | | Group | |
|---|---|---|---|---|
| | 2012 LKR million | 2011 LKR million | 2012 LKR million | 2011 LKR million |
| Capital charge for | | | | |
| Interest rate risk | 289 | 468 | 289 | 468 |
| Equity | 372 | 662 | 372 | 662 |
| Foreign exchange & gold | 16 | 574 | 16 | 574 |
| Total capital charge for market risk | 677 | 1,705 | 677 | 1,705 |
| Total risk weighted assets for market risk | 6,773 | 17,046 | 6,773 | 17,046 |
| | | | | |
| **Operational Risk - The Basic Indicator Approach** | | | | |
| Capital charge for operational risk | | | | |
| Total gross income of three consecutive years | 112,362 | 83,658 | 121,242 | 90,193 |
| Average gross income | 37,454 | 27,886 | 40,414 | 30,064 |
| Total capital charge for operational risk - (15%) | 5,618 | 4,183 | 6,062 | 4,510 |
| Total risk weighted assets for operational risk | 56,181 | 41,829 | 60,621 | 45,096 |

The Standardized Approach (TSA) for operational risk is scheduled to be introduced from 2013. Standardized approach falls between basic indicator approach and advanced measurement approach in terms of degree of complexity.

Under the standardized approach banks activities are divided into eight business lines: corporate finance, trading and sales, retail banking, commercial banking, payment and settlement, agency services, asset management and retail brokerage. The capital charge for each business line is calculated by multiplying gross income by a factor (denoted beta varies from 12% to 18%) assigned to that business line.

| | Bank | | Group | |
|---|---|---|---|---|
| | 2012 LKR million | 2011 LKR million | 2012 LKR million | 2011 LKR million |
| **Computation of ratios** | | | | |
| **Total risk weighted assets** | | | | |
| Total risk weighted assets for credit risk | 411,667 | 322,218 | 444,477 | 344,583 |
| Total risk weighted assets for market risk | 6,773 | 17,046 | 6,773 | 17,046 |
| Total risk weighted assets for operational risk | 56,181 | 41,829 | 60,621 | 45,096 |
| **Sub total** | 474,621 | 381,093 | 511,871 | 406,725 |
| | | | | |
| Total eligible core capital (Tier I capital) | 39,222 | 29,533 | 45,667 | 35,290 |
| Total eligible supplementary capital (Tier II capital) | 15,129 | 11,926 | 17,598 | 14,119 |
| **Total capital base** | 54,351 | 41,459 | 63,265 | 49,409 |
| **Core capital ratio** | 8.26% | 7.75% | 8.92% | 8.68% |
| **Capital adequacy ratio** | 11.45% | 10.88% | 12.36% | 12.15% |

# Investor Information

The Bank has issued the following debt securities which are listed on the Colombo Stock Exchange (CSE)

| Unsecured, subordinated, redeemable debentures with a tenure of 5 years (par value LKR 100/-) | Type | Interest payable frequency | Interest rate (per annum) |
|---|---|---|---|
| November 2008/2013 series | A | Annually | 19% |
| | B | Semi annually | 6 months TB rate (Gross) plus 75 basis points |
| | C | At maturity | Zero coupon, redeemable at LKR 225/- each |
| June 2010/2015 series | A | Annually | 11.5% |
| | B | Semi annually | 6 months TB rate (Gross) plus 75 basis points |
| December 2011/2016 series | A | Annually | 11% |
| | B | Semi annually | 6 months TB rate (Gross) plus 75 basis points |
| | C | Semi annually | 10.5% |
| November 2012/2017 series | A | Annually | 16% |
| | B | Semi annually | 6 months TB rate (Gross) plus 125 basis points |
| | C | Semi annually | 15.3% |

Compliance to the directions on Interim Financial Statements, which were applicable to the Bank for the year ended 31st December 2012 enforced by the Central Bank of Sri Lanka, are summarised below:

| Circular No. | Requirement | Period | Date published in Sinhala, Tamil & English news papers |
|---|---|---|---|
| 02/04/003/0401/001 30th September 2005 | The publication should be made within two months from the end of each quarter, at least once in an English, Sinhala and Tamil newspaper | Quarter 1 ended 31st March 2012 | 25/05/2012 |
| | | Quarter 2 ended 30th June 2012 | 30/08/2012 |
| | | Quarter 3 ended 30th September 2012 | 23/11/2012 |
| 02/04/003/0401/001 21st February 2006 | If the Bank publishes its Audited Financial Statements within three months from the end of the financial year, the requirement to publish the Financial Statements for the 4th quarter in terms of the circular dated 30th September 2005 would not be mandatory | Quarter 4 ended 31st December 2012 (Audited) | 30/03/2013 |

Compliance to the Listing Rules on contents of annual report, which were applicable to the Bank for the year ended 31st December 2012 enforced by the Colombo Stock Exchange, are summarised below:

| Rule No. | Requirement | Period | Date sumitted |
|---|---|---|---|
| 7.4 a (i) | The Interim Financial Statements prepared on quarterly basis, approved by the Board of Directors to be submitted to CSE within 45 days from respective quarter ends for the first three quarters and within two months at the end of fourth quarter | Quarter 1 ended 31st March 2012<br>Quarter 2 ended 30th June 2012<br>Quarter 3 ended 30th September 2012<br>Quarter 4 ended 31st December 2012 | 15/5/2012<br>14/8/2012<br>12/11/2012<br>28/02/2013 |

| Rule No. | Requirement | Compliance |
|---|---|---|
| 7.4 b (i) | Comply with SLAS 35 and disclose Group and Bank separately | Complied with |
| 7.4 b (ii) | Disclose the additional notes and ratios as per Listing Rules | Complied with |
| 7.4 b (iii) | Be signed by two Directors | Complied with |
| 7.4 b (iv) | State whether the Financial Statements are audited or not | Complied with |
| 7.5 a | Annual Report to be submitted to CSE within five months from the closure of financial year | The Audited Financial Statements for the year ended 31st December 2012 was submitted on 28th March 2013. Annual Report for the year 2012 will be submitted before the deadline |

| Rule No. | Disclosure requirement | Reference / comments | Page No. |
|---|---|---|---|
| 7.6 (i) | Names of persons who during the financial year were Directors of the entity; | Annual Report of the Board of Directors on the State of Affairs of the Bank of Ceylon | 226 |
| 7.6 (ii) | Principal activities of the entity and its Subsidiaries during the year and any changes therein | Annual Report of the Board of Directors on the State of Affairs of the Bank of Ceylon, Significant Accounting Policies, Investor Information, | 226<br>244<br>366 |
| 7.6 (iii) | The names and the number of shares held by the 20 largest holders of voting & non-voting shares and the percentage of such shares held | The Government of Sri Lanka is the sole shareholder of the Bank of Ceylon | |
| 7.6 (iv) | The public holding percentage | Not applicable | |
| 7.6 (v) | A statement of each Director's holding and Chief Executive Officer's holding in shares of the entity at the beginning and end of each financial year | Not applicable | |
| 7.6 (vi) | Information pertaining to material foreseable risk factors of the entity | Risk Management | 96 |
| 7.6 (vii) | Details of material issues pertaining to employees and industrial relations of the entity | No material issues occurred during the year under review | |

| Rule No. | Disclosure Requirement | Reference / comments | Page No. |
|---|---|---|---|
| 7.6 (viii) | Extents, locations, valuations and the number of buildings of the entity's land holdings and investment properties | Note no. 32 to the Financial Statements on property, plant and equipment. | 287 |
| 7.6 (ix) | Number of shares representing the entity's stated capital | Note no. 46 to the Financial Statements on share capital | 302 |
| 7.6 (x) | A distribution schedule of the number of holders in each class of equity securities and percentage of their total holdings | Investor Information | 355 |
| 7.6 (xi) | Ratios and market price information: | | |
| | 1. Dividend per share,net assets value per share,interest rate of comparable government securities,debt/equity ratio, interest cover and liquid asset ratio | Investor Information | 351 |
| | | Note no. 18 to the Financial Statements on earnings per share and dividends per share | 261 |
| | 2. Market information on listed debentures | Investor Information | 354 |
| | | Note no. 45 to the Financial Statements on Subordinated term debts | 301 |
| | 3. Any changes in credit rating | Management Discussion & Analysis | 61 |
| 7.6 (xii) | Significant changes in the entity's or its subsidiaries' fixed assets and the market value of the land, if the value differs substantially from the book value | Note no. 32 to the Financial Statements on property, plant and equipment | 287 |
| 7.6 (xiii) | During the year the entity has raised funds either through a public issue, rights iissue and private placement | Note no. 41 and 45 to the Financial Statements on debts securities issued and subordinated term debts | 296<br>301 |
| 7.6 (xiv) | Information in respect of each employee share ownership or stock option scheme | Not applicable | |
| 7.6 (xv) | Disclosures pertaining to Corporate Governance practices in terms of Rules 7.10.3,7.10.5 (c) and 7.10.6 (c) of Section 7 of the Rules. | Exempted under Section 7.10 of Listing Rules since the Bank complies with direction laid down in the Banking Act Direction No.11 of 2007 on Corporate Governance. | |
| 7.6 (xvi) | Related party transactions exceeding 10% of the equity or 5% of the total assets of the entity as per Audited Financial Statements, whichever is lower | Investor Information | 357 |

**Income Statement in USD**

| For the year ended 31st December | Bank 2012 USD '000 | Bank 2011 USD '000 | Group 2012 USD '000 | Group 2011 USD '000 |
|---|---|---|---|---|
| **Total income** | **865,490** | **618,559** | **907,840** | **657,185** |
| Interest income | 746,704 | 537,487 | 776,012 | 563,704 |
| Interest expense | (469,144) | (317,948) | (483,196) | (328,209) |
| **Net interest income** | **277,560** | **219,539** | **292,816** | **235,495** |
| Fee and commission income | 57,522 | 58,611 | 59,183 | 60,927 |
| Fee and commission expense | (5,141) | (4,766) | (5,982) | (5,349) |
| **Net fee and commission income** | **52,381** | **53,845** | **53,201** | **55,578** |
| Net gain / (loss) from trading | 29,652 | 2,805 | 29,495 | 2,362 |
| Net gain / (loss) from financial investments | 2,879 | 3,053 | 2,893 | 3,103 |
| Net gain / (loss) from financial investments designated at fair value through profit or loss | - | - | - | - |
| Other operating income | 28,733 | 16,604 | 40,257 | 27,089 |
| **Total operating income** | **391,205** | **295,846** | **418,662** | **323,627** |
| Impairment (charge) / reversal for loans and other losses | (46,397) | 19,821 | (47,196) | 11,499 |
| **Net operating income** | **344,808** | **315,667** | **371,466** | **335,126** |
| Personnel expenses | (101,582) | (91,832) | (110,501) | (100,628) |
| Other expenses | (62,419) | (57,024) | (76,436) | (68,749) |
| **Total operating expenses** | **(164,001)** | **(148,856)** | **(186,937)** | **(169,377)** |
| **Operating profit before value added tax (VAT)** | **180,807** | **166,811** | **184,529** | **165,749** |
| Value added tax (VAT) on financial services | (25,259) | (22,086) | (25,733) | (22,799) |
| | | | - | |
| Operating profit after value added tax (VAT) | 155,548 | 144,725 | 158,796 | 142,950 |
| Share of profit / (loss) of Associate Companies before tax | - | - | 303 | 1,832 |
| **Profit before income tax** | **155,548** | **144,725** | **159,099** | **144,782** |
| Income tax expense | (42,259) | (40,096) | (44,307) | (42,356) |
| **Profit for the year** | **113,289** | **104,629** | **114,792** | **102,426** |
| **Profit attributable to :** | | | | |
| Equity holder of the parent | 113,289 | 104,629 | 114,574 | 101,770 |
| Non - controlling interest | - | - | 218 | 656 |
| **Profit for the year** | **113,289** | **104,629** | **114,792** | **102,426** |
| **Earnings per share:** | | | | |
| Basic earnings per share (USD) | 22.66 | 20.93 | 22.92 | 20.35 |
| Diluted earnings per share (USD) | 22.66 | 20.93 | 22.92 | 20.35 |
| Dividend per share (USD) | 8.40 | 6.75 | 8.40 | 6.75 |

Exchange rate of 1 USD was LKR 127.2550 as at 31st December 2012 (LKR 113.9050 as at 31st December 2011).

The Income Statement given on this page does not form part of the Audited Financial Statements and it is solely for the convenience of the shareholders, investors, bankers and other interested parties of the Financial Statements of the Bank.

# Investor Information

**Statement of Financial Position in USD**

| As at 31st December | Bank 31.12.2012 USD '000 | Bank 31.12.2011 USD '000 | Bank 01.01.2011 USD '000 | Group 31.12.2012 USD '000 | Group 31.12.2011 USD '000 | Group 01.01.2011 USD '000 |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Cash and short term funds | 247,885 | 163,917 | 126,486 | 251,116 | 164,882 | 123,639 |
| Balances with Central Banks | 235,458 | 265,332 | 229,962 | 235,458 | 265,332 | 229,962 |
| Placements with banks | 152,406 | 128,010 | 383,020 | 200,992 | 165,800 | 428,774 |
| Derivative financial instruments | 3,988 | 555 | 2,150 | 3,988 | 555 | 2,150 |
| Reverse repurchase agreements | 6,266 | 9,613 | 366,380 | 11,189 | 14,312 | 366,469 |
| Financial assets - Held for trading | 122,126 | 353,776 | 423,233 | 125,958 | 357,775 | 429,151 |
| Financial investments - Loans and receivable | 779,591 | 787,843 | 793,226 | 779,398 | 786,942 | 793,226 |
| Loans and advances to customers | 5,437,108 | 4,768,438 | 3,303,008 | 5,578,826 | 4,901,053 | 3,403,235 |
| Financial investments - Available for sale | 94,935 | 112,939 | 115,045 | 112,859 | 139,618 | 132,608 |
| Financial investments - Held to maturity | 871,920 | 451,134 | 463,134 | 877,816 | 455,138 | 471,759 |
| Investment in Subsidiary Companies | 53,380 | 54,789 | 47,344 | - | - | - |
| Investment in Associate Companies | 6,624 | 7,401 | 7,575 | 9,972 | 11,261 | 10,518 |
| Investment properties | - | - | - | 1,156 | 1,456 | 3,470 |
| Property, plant and equipment | 89,826 | 92,348 | 49,725 | 144,889 | 153,469 | 101,961 |
| Leasehold properties | 668 | 670 | 695 | 980 | 1,030 | 1,076 |
| Intangible assets | 2,955 | 3,010 | 1,469 | 3,630 | 3,628 | 1,525 |
| Deferred tax assets | - | - | 7,556 | 574 | 670 | 7,556 |
| Other assets | 132,032 | 159,632 | 139,323 | 143,013 | 167,908 | 147,951 |
| **Total assets** | **8,237,168** | **7,359,407** | **6,459,331** | **8,481,814** | **7,590,829** | **6,655,030** |
| **Liabilities** | | | | | | |
| Due to banks | 79,588 | 57,134 | 19,861 | 81,172 | 73,371 | 22,048 |
| Derivative financial instruments | 584 | 8,672 | 1,416 | 584 | 8,672 | 1,416 |
| Due to customers | 5,449,221 | 5,230,444 | 4,753,973 | 5,502,093 | 5,297,453 | 4,817,301 |
| Other borrowings | 1,837,221 | 1,214,950 | 943,178 | 1,926,374 | 1,258,589 | 983,756 |
| Debt securities issued | 183,068 | 221,558 | 238,764 | 192,384 | 232,027 | 245,452 |
| Current tax liabilities | 17,355 | 10,004 | 19,728 | 19,002 | 11,318 | 21,726 |
| Deferred tax liabilities | 2,760 | 3,470 | 414 | 13,356 | 15,449 | 10,097 |
| Insurance provision - life | - | - | - | 1,305 | 1,011 | 706 |
| Insurance provision - non life | - | - | - | 4,488 | 3,010 | 2,372 |
| Other liabilities | 79,803 | 97,754 | 92,790 | 93,190 | 108,882 | 102,236 |
| Subordinated term debts | 187,168 | 152,366 | 120,999 | 187,038 | 152,266 | 120,999 |
| **Total liabilities** | **7,836,768** | **6,996,352** | **6,191,123** | **8,020,986** | **7,162,048** | **6,328,109** |
| **Equity** | | | | | | |
| Share capital | 39,291 | 43,896 | 44,841 | 39,291 | 43,896 | 44,841 |
| Permanent reserve fund | 25,822 | 26,408 | 24,909 | 25,822 | 26,408 | 24,909 |
| Retained earnings | 217,195 | 190,799 | 130,609 | 230,389 | 205,042 | 149,020 |
| Other reserves | 118,092 | 101,952 | 67,849 | 154,187 | 140,714 | 96,811 |
| Total equity attributable to the parent | 400,400 | 363,055 | 268,208 | 449,689 | 416,060 | 315,581 |
| Non controlling interest | - | - | - | 11,139 | 12,721 | 11,340 |
| **Total equity** | **400,400** | **363,055** | **268,208** | **460,828** | **428,781** | **326,921** |
| **Total liabilities and equity** | **8,237,168** | **7,359,407** | **6,459,331** | **8,481,814** | **7,590,829** | **6,655,030** |
| Commitments and contingencies | 3,576,919 | 3,597,271 | 2,807,403 | 3,582,282 | 3,607,211 | 2,824,598 |
| Net assets per share (USD) | 80.08 | 72.61 | 53.64 | 89.94 | 83.21 | 63.12 |

Exchange rate of 1 USD was LKR 127.2550 as at 31st December 2012 (LKR 113.9050 as at 31st December 2011 and LKR 111.5050 as at 1st January 2011).

The Statement of Financial Position given on this page does not form part of the Audited Financial Statements and it is solely for the convenience of the shareholders, investors, bankers and other interested parties of the Financial Statements of the Bank.

**Summary of the Income Statement** **LKR Million**

| For the quarter ended | 2012 1st quarter 31.03.12 | 2012 2nd quarter 30.06.12 | 2012 3rd quarter 30.09.12 | 2012 4th quarter 31.12.12 | 2011 1st quarter 31.03.11 | 2011 2nd quarter 30.06.11 | 2011 3rd quarter 30.09.11 | 2011 4th quarter 31.12.11 |
|---|---|---|---|---|---|---|---|---|
| **Group** | | | | | | | | |
| Income | 25,156 | 27,217 | 29,664 | 33,186 | 17,349 | 18,025 | 19,391 | 22,431 |
| Interest income | 19,608 | 22,927 | 25,522 | 28,758 | 14,449 | 15,306 | 15,535 | 18,439 |
| Interest expense | (11,749) | (14,132) | (17,095) | (18,864) | (8,637) | (9,052) | (9,228) | (10,467) |
| **Net interest income** | 7,859 | 8,795 | 8,427 | 9,894 | 5,812 | 6,254 | 6,307 | 7,972 |
| Operating income | 5,351 | 4,167 | 3,950 | 3,413 | 2,724 | 2,566 | 3,665 | 3,638 |
| Operating expense | (6,339) | (6,913) | (6,156) | (7,641) | (4,625) | (5,203) | (5,178) | (5,721) |
| Operating profit before VAT | 6,871 | 6,049 | 6,221 | 5,666 | 3,911 | 3,617 | 4,794 | 5,889 |
| Value added tax on financial services | (840) | (855) | (842) | (702) | (511) | (549) | (690) | (819) |
| **Operating profit after VAT** | 6,031 | 5,194 | 5,379 | 4,964 | 3,400 | 3,068 | 4,104 | 5,070 |
| Share of profit of Associate companies before tax | (82) | (34) | 46 | 93 | 49 | 66 | 45 | 49 |
| **Profit before income tax** | 5,949 | 5,160 | 5,425 | 5,057 | 3,449 | 3,134 | 4,149 | 5,119 |
| Income tax expense | (1,475) | (1,607) | (1,507) | (1,083) | (1,216) | (988) | (1,269) | (891) |
| **Profit after income tax** | 4,474 | 3,553 | 3,918 | 3,974 | 2,233 | 2,146 | 2,880 | 4,228 |
| Quarterly profit as a % of the profit after tax | 28% | 22% | 25% | 25% | 19% | 19% | 25% | 37% |
| Cumulative profit as a % of the profit after tax | 28% | 50% | 75% | 100% | 19% | 38% | 63% | 100% |
| **Bank** | | | | | | | | |
| Income | 24,044 | 26,192 | 28,580 | 31,851 | 16,548 | 17,196 | 18,508 | 21,167 |
| Interest income | 18,801 | 22,024 | 24,565 | 27,759 | 13,821 | 14,700 | 14,853 | 17,371 |
| Interest expense | (11,394) | (13,691) | (16,591) | (18,366) | (8,404) | (8,849) | (8,992) | (9,984) |
| **Net interest income** | 7,407 | 8,333 | 7,974 | 9,393 | 5,417 | 5,851 | 5,861 | 7,387 |
| Operating income | 5,051 | 4,050 | 3,828 | 3,080 | 2,554 | 2,351 | 3,468 | 3,441 |
| Operating expense | (5,804) | (6,368) | (5,658) | (6,828) | (4,285) | (4,775) | (4,725) | (4,484) |
| **Operating profit before VAT** | 6,654 | 6,015 | 6,144 | 5,645 | 3,686 | 3,427 | 4,604 | 6,344 |
| Value added tax on financial services | (834) | (849) | (834) | (698) | (493) | (539) | (675) | (808) |
| **Profit before income tax** | 5,820 | 5,166 | 5,310 | 4,947 | 3,193 | 2,888 | 3,929 | 5,536 |
| Income tax expense | (1,419) | (1,516) | (1,426) | (1,016) | (1,116) | (923) | (1,191) | (795) |
| **Profit after income tax** | 4,401 | 3,650 | 3,884 | 3,931 | 2,077 | 1,965 | 2,738 | 4,741 |
| Quarterly profit as a % of the profit after tax | 28% | 23% | 24% | 25% | 18% | 17% | 24% | 41% |
| Cumulative profit as a % of the profit after tax | 28% | 51% | 75% | 100% | 18% | 35% | 59% | 100% |

These figuers have been presented in accordance with previous SLASs.

**Summary of the Financial Position**

| As at | 2012 1st quarter 31.03.12 | 2012 2nd quarter 30.06.12 | 2012 3rd quarter 30.09.12 | 2012 4th quarter 31.12.12 * | 2011 1st quarter 31.03.11 | 2011 2nd quarter 30.06.11 | 2011 3rd quarter 30.09.11 | 2011 4th quarter 31.12.11 * |
|---|---|---|---|---|---|---|---|---|
| **Group** | | | | | | | | |
| Net Loans & Advances | 597,270 | 645,280 | 682,387 | 709,933 | 403,619 | 423,683 | 456,318 | 558,254 |
| Investments | 241,983 | 266,276 | 244,356 | 243,972 | 236,349 | 246,190 | 221,714 | 201,047 |
| Property, plant & equipment | 13,172 | 13,284 | 13,339 | 18,710 | 7,837 | 8,194 | 8,435 | 17,764 |
| Other assets | 111,358 | 118,978 | 123,406 | 106,738 | 95,551 | 92,901 | 111,919 | 87,568 |
| | **962,783** | **1,043,818** | **1,063,488** | **1,079,353** | **743,356** | **770,968** | **798,386** | **864,633** |
| Deposits | 633,370 | 660,244 | 666,060 | 700,169 | 526,505 | 544,138 | 569,211 | 603,406 |
| Borrowings | 252,757 | 300,960 | 306,217 | 303,755 | 158,999 | 169,965 | 170,856 | 195,490 |
| Other Liabilities | 28,384 | 33,531 | 38,340 | 16,787 | 26,869 | 24,409 | 23,329 | 16,897 |
| Shareholders' Funds | 48,272 | 49,083 | 52,871 | 58,642 | 30,983 | 32,456 | 34,990 | 48,840 |
| | **962,783** | **1,043,818** | **1,063,488** | **1,079,353** | **743,356** | **770,968** | **798,386** | **864,633** |
| **Bank** | | | | | | | | |
| Net Loans & Advances | 581,120 | 628,285 | 665,016 | 691,899 | 393,398 | 412,716 | 444,057 | 543,149 |
| Investments | 245,100 | 269,582 | 247,917 | 246,726 | 238,993 | 248,765 | 223,923 | 202,465 |
| Property,plant & equipment | 10,609 | 10,656 | 10,674 | 11,516 | 5,890 | 6,137 | 6,351 | 10,595 |
| Other Assets | 105,213 | 114,846 | 114,257 | 98,080 | 85,791 | 86,639 | 104,806 | 82,064 |
| | **942,042** | **1,023,369** | **1,037,864** | **1,048,221** | **724,072** | **754,257** | **779,137** | **838,273** |
| Deposits | 626,347 | 653,365 | 659,037 | 693,441 | 521,167 | 538,471 | 562,865 | 595,774 |
| Borrowings | 244,591 | 292,727 | 293,556 | 243,924 | 150,015 | 164,139 | 163,876 | 187,489 |
| Other Liabilities | 26,161 | 31,438 | 35,666 | 59,903 | 25,181 | 22,645 | 20,944 | 13,656 |
| Shareholders' Funds | 44,943 | 45,839 | 49,605 | 50,953 | 27,709 | 29,002 | 31,452 | 41,354 |
| | **942,042** | **1,023,369** | **1,037,864** | **1,048,221** | **724,072** | **754,257** | **779,137** | **838,273** |

* 4th quarter figuers have been presented in accordance with LKASs & SLFRSs.

**Financial measures**

| As at | 2012 1st quarter 31.03.12 | 2012 2nd quarter 30.06.12 | 2012 3rd quarter 30.09.12 | 2012 4th quarter 31.12.12 * | 2011 1st quarter 31.03.11 | 2011 2nd quarter 30.06.11 | 2011 3rd quarter 30.09.11 | 2011 4th quarter 31.12.11 * |
|---|---|---|---|---|---|---|---|---|
| **Group** | | | | | | | | |
| **Profitability** | | | | | | | | |
| Interest margin (%) | 3.46 | 3.51 | 3.48 | 3.83 | 3.16 | 3.22 | 3.21 | 3.34 |
| Return on assets (before tax) (%) | 2.62 | 2.34 | 2.30 | 2.08 | 1.87 | 1.75 | 1.87 | 2.05 |
| Return on equity (after tax) (%) | 39.05 | 34.72 | 33.09 | 27.18 | 28.70 | 27.49 | 29.22 | 27.36 |
| **Investor information** | | | | | | | | |
| Earnings per share (LKR) | 3,571.99 | 3,208.51 | 3,180.39 | 2,916.05 | 1,749.00 | 1,699.63 | 1,904.97 | 2318.42 |
| Net assets per share (LKR) | 9,378.00 | 9,548.00 | 10,304.00 | 11,445.03 | 5,976.17 | 6,266.37 | 6,773.73 | 9,478.26 |
| **Capital Adequacy Ratios** | | | | | | | | |
| Tier I (%) | 8.85 | 8.71 | 8.94 | 8.92 | 10.39 | 10.05 | 8.95 | 8.68 |
| Total (Tier I+ Tier II) (%) | 12.20 | 11.49 | 11.88 | 12.36 | 13.91 | 13.10 | 11.56 | 12.15 |
| **Bank** | | | | | | | | |
| **Profitability** | | | | | | | | |
| Interest margin (%) | 3.33 | 3.39 | 3.38 | 3.74 | 3.01 | 3.07 | 3.06 | 3.21 |
| Return on assets (before tax) (%) | 2.62 | 2.36 | 2.32 | 2.10 | 1.77 | 1.66 | 1.79 | 2.12 |
| Return on equity (after tax) (%) | 41.37 | 37.45 | 35.46 | 31.24 | 29.76 | 28.30 | 30.34 | 33.45 |
| **Investor information** | | | | | | | | |
| Interest cover (times) | 2.55 | 2.32 | 2.14 | 1.94 | 2.24 | 2.13 | 2.24 | 2.45 |
| Earnings per share (LKR) | 3,521.03 | 3,220.71 | 3,182.76 | 2,883.32 | 1,661.60 | 1,572.22 | 1,808.01 | 2,383.52 |
| Net assets per share (LKR) | 8,989.00 | 9,168.00 | 9,921.00 | 10,190.58 | 5,541.77 | 5,800.41 | 6,290.48 | 8,270.76 |
| **Capital Adequacy Ratios** | | | | | | | | |
| Tier I (%) | 8.07 | 8.00 | 8.26 | 8.26 | 9.47 | 9.08 | 8.07 | 7.75 |
| Total (Tier I + Tier II) (%) | 11.05 | 10.44 | 10.82 | 11.45 | 12.62 | 11.72 | 10.31 | 10.88 |
| **Assets quality** | | | | | | | | |
| Gross non-performing asset ratio (%) (Net of interest in suspense & provision) | 2.19 | 2.44 | 3.19 | 2.76 | 3.27 | 2.98 | 2.78 | 2.06 |
| Net non-performing asset ratio (%) (Net of interest in suspense) | 3.45 | 1.24 | 2.01 | 1.62 | 1.50 | 1.30 | 1.23 | 0.77 |
| **Regulatory Liquidity** | | | | | | | | |
| Statutory liquid asset ratios | | | | | | | | |
| Domestic banking unit (%) | 22.45 | 25.55 | 22.84 | 21.80 | 23.57 | 24.88 | 23.21 | 23.36 |
| Off-shore banking unit (%) | 24.42 | 26.38 | 24.53 | 24.95 | 50.65 | 52.44 | 43.59 | 24.39 |

* 4th quarter figuers have been presented in accordance with LKASs & SLFRSs.

**Debenture Information**

| Description | Note | Interest payable frequency | Issue date | Maturity date | Coupon rate | | Interest rate of comparable Government security | Amount | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | Bank | |
| | | | | | 2012 | 2011 | | 2012 | 2011 |
| | | | | | % | % | % | LKR.'000 | LKR.'000 |
| **A - Sri Lanka rupee debentures** | | | | | | | | | |
| **Fixed interest rate** | | | | | | | | | |
| Unsecured, subordinated, redeemable debentures | a | Annually | 24.11.2008 | 24.11.2013 | 19.00 | 19.00 | 10.65 | 351,385 | 351,385 |
| Unsecured, subordinated, redeemable debentures | a | At maturity | 24.11.2008 | 24.11.2013 | - | - | 10.65 | 448,322 | 380,383 |
| Unsecured, subordinated, redeemable debentures | a | Annually | 28.06.2010 | 28.06.2015 | 11.50 | 11.50 | 10.82 | 1,135,783 | 1,135,783 |
| Unsecured, subordinated, redeemable debentures | a | Annually | 08.12.2011 | 08.12.2016 | 11.00 | 11.00 | 10.90 | 3,926,514 | 3,926,514 |
| Unsecured, subordinated, redeemable debentures | a | Semi annually | 08.12.2011 | 08.12.2016 | 10.50 | 10.50 | 10.90 | 2,315 | 2,315 |
| Unsecured, subordinated, redeemable debentures | a | Annually | 30.11.2012 | 29.11.2017 | 16.00 | - | 11.05 | 6,034,052 | - |
| Unsecured, subordinated, redeemable debentures | a | Semi annually | 30.11.2012 | 29.11.2017 | 15.25 | - | 11.05 | 40,189 | - |
| Unsecured, redeemable debentures | | Annually | 01.07.2010 | 01.07.2015 | 13.20 | 13.20 | 10.80 | 1,063,602 | 1,063,602 |
| Unsecured, redeemable debentures | | Annually | 14.07.2010 | 14.07.2015 | 13.20 | 13.20 | 10.85 | 2,118,737 | 2,118,737 |
| Unsecured, redeemable debentures | | Annually | 17.09.2010 | 17.09.2015 | 11.00 | 11.00 | 10.89 | 1,472,780 | 1,472,780 |
| Unsecured, redeemable debentures | | Semi annually | 18.06.2012 | 18.06.2017 | 14.75 | - | 11.10 | 1,286,404 | - |
| Unsecured, redeemable debentures | | Annually | 07.12.2012 | 07.12.2017 | 15.50 | - | 11.15 | 2,140,654 | - |
| | | | | | | | | 20,020,737 | 10,451,499 |
| Unsecured, subordinated, redeemable debentures (12 months TB (Gross) rate plus 100 basis points) | c | Annually | 15.08.2008 | 15.08.2013 | 15.64 | 9.06 | 10.60 | 316,993 | 310,028 |
| Unsecured, subordinated, redeemable debentures (6 months TB rate (Gross) plus 75 basis points) | a/b | Semi annually | 24.11.2008 | 24.11.2013 | 14.16 | 9.13 | 10.65 | 3,751,496 | 3,732,660 |
| Unsecured, subordinated, redeemable debentures (6 months TB rate (Gross) plus 75 basis points) | a/b | Semi annually | 28.06.2010 | 28.06.2015 | 13.33 | 10.26 | 10.82 | 3,929,437 | 3,929,570 |
| Unsecured, subordinated, redeemable debentures (6 months TB ( Gross ) rate plus 75 basis points) | a/b | Semi annually | 08.12.2011 | 08.12.2016 | 14.19 | 10.26 | 10.90 | 1,107,323 | 1,104,675 |
| Unsecured, subordinated, redeemable debentures (6 months TB ( Gross ) rate plus 125 basis points) | a/b | Semi annually | 30.11.2012 | 29.11.2017 | 14.68 | - | 11.05 | 425 | - |
| Unsecured, redeemable, debentures (12 months TB (Gross) rate ) | c | Annually | 10.01.2007 | 10.01.2012 | - | 8.39 | - | - | 1,622,692 |

| Description | Note | Interest payable frequency | Issue date | Maturity date | Coupon rate | | Interest rate of comparable Government security | Amount | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | Bank | |
| | | | | | 2012 | 2011 | | 2012 | 2011 |
| | | | | | % | % | % | LKR.'000 | LKR.'000 |
| Unsecured, redeemable, debentures (12 months TB (Gross) rate ) | c | Annually | 12.03.2007 | 12.03.2012 | - | 8.14 | - | - | 1,064,925 |
| Unsecured, redeemable, debentures (12 months TB (Gross) rate plus 50 basis points) | c | Annually | 03.10.2007 | 03.10.2012 | - | 8.62 | - | - | 1,019,905 |
| Unsecured, redeemable, debentures (12 months TB (Gross) rate plus 50 basis points) | c | Annually | 01.11.2007 | 01.11.2012 | - | 8.77 | - | - | 1,520,822 |
| Unsecured, redeemable, debentures (12 months TB (Gross) rate plus 50 basis points) | c | Annually | 01.11.2007 | 01.11.2012 | - | 8.77 | - | - | 506,941 |
| Unsecured, redeemable, debentures (12 months TB (Gross) rate plus 50 basis points) | c | Annually | 01.04.2008 | 01.04.2013 | 13.08 | 8.61 | 10.50 | 548,289 | 531,834 |
| Unsecured, redeemable, debentures (12 months TB (Gross) rate plus 50 basis points) | c | Annually | 01.04.2008 | 01.04.2013 | 13.08 | 8.61 | 10.50 | 1,644,866 | 1,595,503 |
| Unsecured, redeemable, debentures (12 months TB (Gross) rate plus 150 basis points) | c | Annually | 03.08.2010 | 03.08.2015 | 16.11 | 9.56 | 10.87 | 5,527,289 | 5,398,991 |
| Unsecured, redeemable, debentures (12 months TB (Gross) rate plus 150 basis points) | c | Annually | 03.08.2010 | 03.08.2015 | 16.11 | 9.56 | 10.87 | 1,860,145 | 1,816,968 |
| Unsecured, redeemable, debentures (12 months TB (Gross) rate plus 150 basis points) | c | Annually | 03.08.2010 | 03.08.2015 | 16.11 | 9.56 | 10.87 | 5,633,583 | 5,502,818 |
| | | | | | | | | 24,319,846 | 29,658,332 |
| **B - United State dollar debentures** | | | | | | | | | |
| **Fixed interest rate** | | | | | | | | | |
| Unsecured, subordinated, redeemable debentures | | Semi annually | 10.10.2008 | 10.10.2013 | 5.50 | 5.50 | 4.25 | 30,918 | 27,674 |
| **Floating interest rate** | | | | | | | | | |
| Unsecured, subordinated, redeemable debentures (6 months LIBOR Plus 300 basis points) | d | Semi annually | 10.10.2008 | 10.10.2013 | 3.58 | 3.58 | 4.25 | 2,742,872 | 2,454,297 |
| | | | | | | | | 2,773,790 | 2,481,971 |
| | | | | | | | | 47,114,373 | 42,591,802 |

**Notes**

a) Debentures that are listed in the Colombo Stock Exchange. Some of these have been traded in the Colombo Stock Exchange during the period ended 31st December 2012.
2008/2013 - (Highest Price - LKR 166.02, Lowest Price - LKR 105.00, Last Transaction Price - LKR 166.02).

b) 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.

c) 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.

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

**Market value of listed debentures**

| | 01-Jan-2012 to 31-Dec-2012 LKR | 01-Jan-2011 to 31-Dec-2011 LKR |
|---|---|---|
| **BoC Debenture 2008/2013,** | | |
| Unsecured, subordinated, redeemable, 5 years, fixed rate (19.0%) | | |
| Highest (LKR) | 105.00 | 100.10 |
| Lowest (LKR) | 105.00 | 100.00 |
| Last transaction (LKR) | 105.00 | 100.00 |
| Unsecured, subordinated, redeemable, 5 years, floating rate (06 months TB rate (Gross) plus 75 basis points) | | |
| Highest (LKR) | Not Traded | Not Traded |
| Lowest (LKR) | Not Traded | Not Traded |
| Last transaction (LKR) | Not Traded | Not Traded |
| Unsecuredsubordinated, redeemable, 5 years, zero coupon | | |
| Highest (LKR) | 166.02 | Not Traded |
| Lowest (LKR) | 166.02 | Not Traded |
| Last transaction (LKR) | 166.02 | Not Traded |
| **BoC Debenture 2010/2015,** | | |
| Unsecured, subordinated, redeemable, 5 years, fixed rate (11.5%) | | |
| Highest (LKR) | Not Traded | 100.00 |
| Lowest (LKR) | Not Traded | 90.50 |
| Last transaction (LKR) | Not Traded | 95.00 |
| Unsecured, subordinated, redeemable, 5 years, floating rate (06 months TB rate (Gross) plus 75 basis points) | | |
| Highest (LKR) | Not Traded | Not Traded |
| Lowest (LKR) | Not Traded | Not Traded |
| Last transaction (LKR) | Not Traded | Not Traded |
| **BoC Debenture 2011/2016,** | | |
| Unsecured, subordinated, redeemable, 5 years, fixed rate (11.0%) | | |
| Highest (LKR) | Not Traded | Not Traded |
| Lowest (LKR) | Not Traded | Not Traded |
| Last transaction (LKR) | Not Traded | Not Traded |
| Unsecured, subordinated, redeemable, 5 years, floating rate (06 months TB rate (Gross) plus 75 basis points) | | |
| Highest (LKR) | Not Traded | Not Traded |
| Lowest (LKR) | Not Traded | Not Traded |
| Last transaction (LKR) | Not Traded | Not Traded |
| Unsecured, subordinated, redeemable, 5 years, fixed rate (10.5%) | | |
| Highest (LKR) | Not Traded | Not Traded |
| Lowest (LKR) | Not Traded | Not Traded |
| Last transaction (LKR) | Not Traded | Not Traded |
| **BoC Debenture 2012/2017,** | | |
| Unsecured, subordinated, redeemable, 5 years, fixed rate (16.0%) | | |
| Highest (LKR) | Not Traded | N/A |
| Lowest (LKR) | Not Traded | N/A |
| Last transaction (LKR) | Not Traded | N/A |
| Unsecured, subordinated, redeemable, 5 years, floating rate (06 months TB rate (Gross) plus 125 basis points) | | |
| Highest (LKR) | Not Traded | N/A |
| Lowest (LKR) | Not Traded | N/A |
| Last transaction (LKR) | Not Traded | N/A |

| | 01-Jan-2012 to 31-Dec-2012 LKR | 01-Jan-2011 to 31-Dec-2011 LKR |
|---|---|---|
| **BOC Debenture 2012/2017 (Contd)** | | |
| Unsecured, subordinated, redeemable, 5 years, fixed rate (15.3%) | | |
| Highest (LKR) | Not Traded | N/A |
| Lowest (LKR) | Not Traded | N/A |
| Last transaction (LKR) | Not Traded | N/A |

**Yield of last trade done**

| | 31-Dec-2012 % | 31-Dec-2011 % |
|---|---|---|
| **Interest yield as at date of last trade done** | | |
| **BoC Debenture 2008/2013,** | | |
| 5 years, fixed rate (19.0%) | 15.15 | 19.00 |
| 5 years, floating rate (06 months TB rate (Gross) plus 75 basis points) | Not Traded | Not Traded |
| 5 years, zero coupon | 21.33 | Not Traded |
| **BoC Debenture 2010/2015,** | | |
| 5 years, fixed rate (11.5%) | Not Traded | 12.11 |
| 5 years, floating rate (06 months TB rate (Gross) plus 75 basis points) | Not Traded | Not Traded |
| **BoC Debenture 2011/2016,** | | |
| 5 years, fixed rate (11.0%) | Not Traded | Not Traded |
| 5 years, floating rate (06 months TB rate (Gross) plus 75 basis points) | Not Traded | Not Traded |
| 5 years, fixed rate (10.5%) | Not Traded | Not Traded |
| **BoC Debenture 2012/2017,** | | |
| 5 years fixed rate (16.0%) | Not Traded | N/A |
| 5 years floating rate (06 months TB rate (Gross) plus 125 basis points) | Not Traded | N/A |
| 5 years, fixed rate (15.3%) | Not Traded | N/A |
| **Yield to maturity of last trade done** | | |
| **BoC Debenture 2008/2013,** | | |
| 5 years, fixed rate (19.0%) | 18.10 | 19.00 |
| 5 years, floating rate (06 months TB rate (Gross) plus 75 basis points) | Not Traded | Not Traded |
| 5 years, zero coupon | 17.40 | Not Traded |
| **BoC Debenture 2010/2015,** | | |
| 5 years, fixed rate (11.5%) | Not Traded | 13.33 |
| 5 years, floating rate (06 months TB rate (Gross) plus 75 basis points) | Not Traded | Not Traded |
| **BoC Debenture 2011/2016,** | | |
| 5 years, fixed rate (11.0%) | Not Traded | Not Traded |
| 5 years, floating rate (06 months TB rate (Gross) plus 75 basis points) | Not Traded | Not Traded |
| 5 years, fixed rate (10.5%) | Not Traded | Not Traded |
| **BoC Debenture 2012/2017,** | | |
| 5 years fixed rate (16.0%) | Not Traded | N/A |
| 5 years floating rate (06 months TB rate (Gross) plus 125 basis points) | Not Traded | N/A |
| 5 years, fixed rate (15.3%) | Not Traded | N/A |

**SHARE INFORMATION**

| As at 31st December | 2012 | | 2011 | |
|---|---|---|---|---|
| | No. of Ordinary Shares | Holding % | No. of Ordinary Shares | Holding % |
| **Shareholder** | | | | |
| Government of Sri Lanka | 5,000,000 | 100 | 5,000,000 | 100 |

# Ten Year
# Statistical Summary

LKR Million

| For the year ended 31st December | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Operating results** | | | | | | | | | | |
| **Income** | **22,805** | **23,957** | **27,324** | **35,192** | **50,159** | **60,182** | **63,461** | **63,363** | **70,457** | **110,138** |
| Interest income | 17,040 | 16,609 | 20,595 | 26,823 | 42,286 | 49,684 | 53,077 | 50,843 | 61,222 | 95,022 |
| Interest expense | (8,438) | (8,256) | (11,231) | (15,744) | (29,453) | (35,989) | (38,267) | (31,200) | (36,216) | (59,701) |
| **Net interest income** | **8,602** | **8,353** | **9,364** | **11,079** | **12,833** | **13,695** | **14,810** | **19,643** | **25,006** | **35,321** |
| Other operating income | 5,524 | 7,091 | 6,731 | 8,368 | 7,873 | 10,498 | 10,385 | 12,515 | 9,235 | 15,116 |
| Other operating expense | (11,688) | (12,013) | (12,059) | (13,543) | (14,315) | (16,889) | (17,992) | (18,104) | (15,241) | (27,428) |
| **Operating profit before VAT** | **2,438** | **3,431** | **4,036** | **5,904** | **6,391** | **7,304** | **7,203** | **14,054** | **19,000** | **23,009** |
| Value added tax on financial services | (638) | (872) | (916) | (1,767) | (1,873) | (2,073) | (2,995) | (4,001) | (2,516) | (3,214) |
| **Profit before income tax** | **1,800** | **2,559** | **3,120** | **4,137** | **4,518** | **5,231** | **4,208** | **10,053** | **16,484** | **19,795** |
| Income tax expense | (168) | (590) | (1,225) | (1,510) | (1,675) | (1,670) | (1,124) | (3,688) | (4,567) | (5,378) |
| **Profit for the year** | **1,632** | **1,969** | **1,895** | **2,627** | **2,843** | **3,561** | **3,084** | **6,365** | **11,917** | **14,417** |

| As at 31st December | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | | | | |
| Cash and short term funds | 4,179 | 5,584 | 6,127 | 7,790 | 9,244 | 10,168 | 13,509 | 14,104 | 18,671 | 31,545 |
| Balances with Central Banks | 7,944 | 12,480 | 13,933 | 17,106 | 17,253 | 15,629 | 16,263 | 25,642 | 30,223 | 29,963 |
| Placements with banks | 26,412 | 27,362 | 36,851 | 23,735 | 19,722 | 16,403 | 45,867 | 42,709 | 14,581 | 19,394 |
| Loans and advances to customers | 114,693 | 131,675 | 166,604 | 224,962 | 284,496 | 271,105 | 265,065 | 368,302 | 543,149 | 691,899 |
| Other Fiancial Assets | 59,912 | 65,719 | 71,972 | 82,178 | 80,635 | 144,913 | 168,481 | 241,205 | 195,444 | 239,089 |
| Investments in Subsidiaries and Associates | 4,008 | 4,984 | 4,225 | 3,711 | 3,650 | 3,603 | 4,037 | 6,124 | 7,084 | 7,636 |
| Investment properties | 1,150 | 1,150 | 1,236 | 1,088 | 559 | - | - | - | - | - |
| Property, plant and equipment | 4,344 | 4,947 | 4,769 | 5,145 | 4,982 | 5,018 | 5,724 | 5,621 | 10,595 | 11,516 |
| Intangible assets | - | - | 467 | 420 | 399 | 233 | 111 | 164 | 343 | 376 |
| Other assets | 17,746 | 12,498 | 13,537 | 12,164 | 16,961 | 17,304 | 19,184 | 16,377 | 18,183 | 16,802 |
| **Total assets** | **240,388** | **266,399** | **319,721** | **378,299** | **437,901** | **484,376** | **538,241** | **720,248** | **838,273** | **1,048,220** |
| **Liabilities** | | | | | | | | | | |
| Due to banks * | - | - | - | - | - | - | - | 2,215 | 6,508 | 10,128 |
| Due to customers | 187,256 | 206,184 | 232,822 | 262,990 | 308,856 | 316,070 | 408,607 | 530,092 | 595,774 | 693,441 |
| Debt securities issued and subordinated term debts | 9,600 | 6,800 | 7,350 | 3,850 | 9,150 | 17,988 | 18,045 | 40,115 | 42,591 | 47,114 |
| Other borrowings | 17,908 | 28,778 | 54,686 | 81,106 | 84,658 | 111,100 | 67,302 | 105,169 | 138,389 | 233,795 |
| Current tax liabilities | 62 | 137 | 76 | 727 | 885 | 1,079 | 190 | 2,200 | 1,139 | 2,208 |
| Other liabilities | 11,242 | 9,152 | 8,436 | 11,714 | 13,302 | 15,037 | 19,198 | 10,551 | 12,517 | 10,581 |
| **Total liabilities** | **226,068** | **251,051** | **303,370** | **360,387** | **416,851** | **461,274** | **513,342** | **690,342** | **796,918** | **997,267** |
| **Equity** | | | | | | | | | | |
| Share capital | 2,600 | 2,600 | 4,000 | 4,000 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 |
| Permanent reserve fund | 1,465 | 1,505 | 1,915 | 2,455 | 2,515 | 2,585 | 2,650 | 2,777 | 3,008 | 3,286 |
| Retained earnings | 8,097 | 9,034 | 9,475 | 10,298 | 12,161 | 14,335 | 15,820 | 14,564 | 21,733 | 27,639 |
| Other reserves | 2,158 | 2,209 | 961 | 1,159 | 1,374 | 1,182 | 1,429 | 7,565 | 11,613 | 15,028 |
| **Total equity** | **14,320** | **15,348** | **16,351** | **17,912** | **21,050** | **23,102** | **24,899** | **29,906** | **41,354** | **50,953** |
| **Total liabilities and equity** | **240,388** | **266,399** | **319,721** | **378,299** | **437,901** | **484,376** | **538,241** | **720,248** | **838,272** | **1,048,220** |
| **Commitments and contingencies** | **50,087** | **58,841** | **80,187** | **105,502** | **134,713** | **164,813** | **246,245** | **313,040** | **409,747** | **455,181** |

Highlighted information is based on LKASs/SLFRSs.

* From 2003 to 2009 due to banks amonut is included in due to customers and other borrowing.

LKR Million

| As at 31st December | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Ratios** | | | | | | | | | | |
| Return on average assets (%) | 0.77 | 1.01 | 1.06 | 1.19 | 1.11 | 1.13 | 0.82 | 1.60 | 2.12 | 2.10 |
| Return on average shareholders' funds (%) after tax | 12.48 | 13.28 | 11.96 | 15.33 | 14.59 | 16.13 | 12.85 | 24.01 | 33.45 | 31.24 |
| Income growth (%) | (7.21) | 5.05 | 14.05 | 28.80 | 42.53 | 19.98 | 5.45 | (0.16) | 11.20 | 56.32 |
| Capital adequacy ratio (%) | | | | | | | | | | |
| - Tier I | 12.11 | 12.33 | 12.67 | 11.90 | 11.38 | 11.29 | 11.22 | 10.30 | 7.75 | 8.26 |
| - Tier I + Tier II | 13.11 | 12.44 | 13.18 | 12.30 | 11.40 | 15.88 | 14.16 | 13.73 | 10.88 | 11.45 |
| Capital funds to liabilities including contingent liabilities (%) | 5.19 | 4.95 | 4.26 | 3.84 | 3.82 | 3.69 | 3.28 | 3.09 | 3.43 | 3.51 |
| Liquidity ratio (%) | 25.34 | 23.82 | 26.87 | 22.19 | 21.20 | 24.21 | 21.13 | 28.65 | 23.36 | 21.80 |
| Cost to income ratio (%) | 68.77 | 61.76 | 72.63 | 68.93 | 67.48 | 64.24 | 68.33 | 53.73 | 51.10 | 42.68 |
| **Other information** | | | | | | | | | | |
| No of employees | 8,927 | 8,718 | 8,891 | 8,363 | 8,253 | 7,912 | 7,538 | 8,204 | 8,115 | 7,790 |
| No of branches | 299 | 300 | 304 | 305 | 307 | 309 | 310 | 309 | 318 | 324 |
| No of ATMs | 85 | 104 | 104 | 190 | 203 | 251 | 329 | 352 | 404 | 451 |
| No of advances (in '000) | 1,061 | 1,218 | 1,285 | 1,541 | 1,867 | 1,839 | 2,011 | 2,261 | 2,837 | 3,363 |
| No of depositors (in '000) | 5,274 | 5,491 | 5,782 | 6,248 | 6,993 | 7,494 | 8,440 | 9,321 | 10,179 | 10,955 |
| Cashflow from operating activities | 18,187 | 1,374 | (8,961) | (24,200) | (13,713) | 30,262 | 100,115 | 10,271 | (42,348) | (19,271) |
| Cashflow from investing activities | 1,238 | 5,575 | (6,315) | (8,998) | 3,034 | (67,091) | (20,775) | (59,418) | 6,924 | (52,965) |
| Cashflow from financing activities | (5,901) | 7,070 | 25,309 | 21,746 | 8,120 | 34,433 | (45,144) | 46,554 | 12,476 | 89,640 |
| Capital expenditure on purchase of property plant & equipment | (519) | (911) | (927) | (912) | (544) | (647) | (1,446) | (1,168) | (1,905) | (1,483) |

Highlighted information is based on LKASs/SLFRSs.

**Disclosure in terms of section 7.6 (xvi) of the listing rules of the Colombo Stock Exchange on related party transactions exceeding 10% of the equity or 5% of the total assets of the Bank**

The Bank did not carry out any transactions exceeding 10% of the equity or 5% of the total assets of the Bank, whichever is lower, with the related parties given in Note no. 55 to the Financial Statements, except for the transactions engaged with the Government of Sri Lanka and Government related entities.

The Government of Sri Lanka, who holds 100% shareholding in Bank of Ceylon and Government related entities carry out transactions with the Bank, in the ordinary course of business and the aggregate monetary value of these transactions exceeded the threshold given in Section 7.6 (xvi) of the Listing Rules of Colombo Stock Exchange. These transactions include;

1. Overdraft facility granted to the Deputy Secretary to the Treasury.
2. Foreign currency loans granted to the Government of Sri Lanka and State Owned Enterprises.
3. Investment in Sri Lanka Development Bonds and Restructuring Bonds issued by the Government of Sri Lanka.
4. Extending of trade finance credit and other related services to facilitate import transactions of the Government of Sri Lanka and State Owned Enterprises.
5. Deposits made by the Government and Government related entities with the Bank.

Most of these transactions are considered as recurrent nature transactions and the outstanding balances as at Balance Sheet date and the during the year transactions are given in the Note no. 55.4 to the Financial Statements.

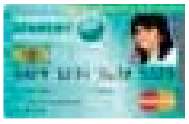
# Products and Services

| Category | Account Type | Description /Features |
|---|---|---|
| Current Accounts | Current Account | Current account for general & business purposes with online banking, ATM and SMS banking facilities. |
| | Prestige Plus Current Account | Professionals' current account with personalized cheque books, VISA electron debit card with a withdrawal limit of LKR 100,000 and BoC Credit Card. |
| Savings Accounts | Normal Savings | General purpose savings account with VISA Electron Card for withdrawals through ATMs, POS services and mobile, SMS & Internet banking. |
| | Ran Kekulu | Children's' savings account for minors below 18 years to promote savings habits among them with higher savings interest rates, year five scholarship awards insurance cover and many more benefits. |
| | 14+ Teen Savings | Unique savings scheme for teenagers to begins banking Habits, with free VISA Electron Debit Card. |
| | 18+ Youth Savings | Youth savings account for youngsters between 18 & 25 years of age with free life insurance cover , gold coin gifted on the wedding and a Ran Kekulu account for the first baby, scholarships for higher education, special loan facilities and many other benifits. |
| | Kantha Ran Ginum | Special savings account for females with higher interest, free insurance policy ,loan facilities at reduced interest rates. |
| | Ran Ulpatha | Monthly investment savings accounts for future cash flows with higher interest, free insurance cover. |
| Special Savings Accounts | Senior Citizens Savings | Account for senior citizens' above 55 years with higher interest rates & prioritized services in branch banking. |
| | Ran Govi Thenpathu | Specially designed savings account for farmer community. |
| | Ranaviru Ran Ginum | Account for personnel who serve in armed forces. Benefits include higher interest rates and free VISA electron card enabling easy operations throughout the country. |
| | Samurdhi Savings | Special account for samurdhi beneficiaries with higher interest rates. |
| | Dheevara Thenpathu | Dedicated savings account for fishing community. |
| Fixed Deposits | Normal Fixed Deposits | General purpose fixed deposit account. Available with different maturities ranging from one month to five years. |
| | 7-day Call Deposits | Short term investment fixed deposit account for fund management purpose. |
| | Senior Citizens Fixed Deposits | Fixed deposit account for senior citizens of 55 years & above with higher interest rates. |
| | BoC Smart Saver | Installment basis investment plan with a higher effective interest rate. |
| | BoC Smart Investor | Installment basis investment plan for two to three years with higher interest rate. |
| | BoC Infinity | Fixed pension plan for regular income earners with free insurance cover. |
| | BoC Vishrama | Flexible pension plan for seasonal income generators with insurance cover. |
| Non Resident Rupee Account | Rupee Account for Non-Resident Sri Lankan Investors (RANSI ) | Rupee account specially designed for non resident Sri Lankans to invest in capital market securities & real estate. Outward remittances & other local disbursements are also permitted. |
| | Securities Investment Account (SIA) | Investment account for foreign institutional investors, foreign citizens & non resident Sri Lankans to invest in government securities & equity capital of companies in Sri Lanka. |

| Category | Account Type | Description /Features |
|---|---|---|
| Foreign Currency Accounts | NRFC Savings and Fixed Deposits | Foreign currency accounts for Sri Lankans working abroad & foreign nationals of Sri Lankan origin to save in foreign currency and with range of benefits such as free life insurance coverage, loan/ overdraft facilities, e-banking facilities etc. |
| | Ran Kekulu Foreign Currency | Minor foreign currency account for children below 18 years of age, whose parents employed abroad to build up savings in foreign currency. |
| | RFC Savings and Fixed Deposits | Foreign currency account for resident Sri Lankan nationals & non nationals who earn in foreign currencies. |
| | Dual Citizenship Foreign Currency FD | Fixed deposit account for Ex - Sri Lankans /Sri Lankans living abroad and would apply for dual citizenship. |
| | Foreign Exchange Earners Accounts (FEEA) | Accounts for persons or companies resident in Sri Lanka, who earn in foreign currencies. |
| | Inward Remittances Deposit accounts (IRD) | Foreign currency account to remit foreign currencies to other accounts. |
| | Securities Investment Account (SIA) | Foreign currency interest bearing investment account for foreign institutional investors, foreign citizens, non resident Sri Lankans and companies incorporated out side Sri Lanka. |
| | Special foreign Investment Deposit Account (SFIDA) | Deposit accounts for foreign institutional investors, foreign citizens, non resident Sri Lankans and for companies incorporated out side Sri Lanka for invest in local currency accounts. |
| | Senior FIDA | Deposit accounts for foreign nationals above 55 years of age. |
| | Non resident non national foreign currency (NRNNFC) | Foreign currency accounts for temporary visitors of Sri Lanka. |
| | Resident Non-National Foreign Currency (RNNFC) | Deposit accounts for non nationals who are having residential VISA in Sri Lanka. |
| | Outward Investment Account (OIA) | Foreign currency accounts for resident investors to invest in international market. |
| Overdraft Facilities | Permanent Overdrafts | Credit financing for current account holders. |
| | Export Packing Credit Overdrafts | Pre-shipment financing for export business requirements who are engaged in export business. |
| | Ran Surekum Overdrafts | Overdraft facility against gold for current account holders. |
| Home Loans | Rannivasa | Special housing loan scheme for account holders. |
| | BOC Sarani | Special housing loan scheme for NRFC account holders. |
| | Govt.Housing Loan Scheme | Special housing loan scheme for Government employees. |
| | BoC Housing Loan scheme | Open scheme for BoC account holders for construction of houses. |

| Category | Account Type | Description /Features |
|---|---|---|
| Development Lending | New Comprehensive Rural Credit Scheme (NCRCS) | Financial assistance to the production of seeds & plant material, purchase of agricultural commodities etc… for farmers with lowest interest rates. CBSL refinance facility encourages farmers to cultivate. |
| | Kantha Ran Diriya | Special scheme for women entrepreneurs to commence small and micro enterprises. |
| | Small Enterprise Development (SED) | For individuals and groups to commence or expand any income generating enterprise of small scale. |
| | Sookshama (Micro) Credit scheme | Financial assistance for individuals who have the skill and experience to commence a viable enterprise or improve any income generating "home based " micro enterprise. |
| | Poverty Alleviation Microfinance Project Credit Scheme | Specially designed credit scheme for Granted in economically under developed areas and to low-income generating families for their capital requirements. |
| | Saubagya | The prosperity loan scheme to create self employment opportunity for the distressed people in Sri Lanka. |
| | Credit scheme for low income earning people | Encourage low income earning people for self employment, horticulture and any income generating activity with family members. |
| | Bhagya | Provide loan facilities for income generating small scale activities of the small groups at village level. |
| | Self Employment Promotion Initiates Loan Scheme (SEPI) | Financial assistance for commencement of self employment projects for those who complete the education from a recognized vocational training institute. |
| | Small Holder Plantation Entrepreneurship Development program (SPEnDP) | Loan facilities improve the standard of life of low income generating small estate holder community. |
| | Provincial Development Credit Scheme | Provide credit facilities to cater the capital needs of small & medium scale entrepreneurs. |
| | Estate Sector Self-Employment Revolving Fund Credit Scheme | Credit facilities are granted with the aim of uplifting living standard of non banking low income estate sector groups to engage income generating activity and Inculcate banking habits among the group. |
| | Diyawara Diriya | Financial assistance for individuals, group members & registered companies engaged in fishing industry. |
| | Improvement Project Credit Scheme | Financial assistance to support or upgrade inland fisheries & aqua culture projects for small proprietorships, partnerships, limited liability companies in the industry. |
| | Kapruka | Facilities granted at reduced interest rates, to increase coconut production. |
| | Viskam | Credit line for the development of commercialized agro-business for individual business, group business & registered companies. |
| | Tea Development Project Revolving Funds Credit Scheme (TDPRFCS) | Financial assistance for purchasing of transport vehicles & development of tea lands of individuals farmers', group of individuals or registered companies in the industry. |
| | Agro livestock Development loan scheme | Specially designed credit scheme for milk producers and all parties in the agricultural sector to start and improve agro based industries. |
| | Second Perennial Crops Development Project Revolving Fund Credit Scheme | Financial support to increase production and post-harvest handling and processing activities of commercialization of perennial crop sector. |
| | Credit Scheme for paddy purchasing | Credit facilities for farmers and village level small scale paddy collectors to store their paddy harvest & marketing. |
| | Siriliya Saviya Credit Scheme | Facility to finance Income generating projects especially for female. |
| | Govi Shakthi Credit Scheme | Financial assistance for farmers for the purchase of agriculture equipment and construction of small paddy stores. |
| | Small & Medium Enterprises (SME) Loan Scheme | Provide short & long term financial support for domestic SMEs' through loan products such as SMILE, E-Friends, Gamata Naya etc. |

| Category | Account Type | Description /Features |
|---|---|---|
| Special credit scheme for public and personal transport | Three wheel auto rickshaws | Special loan schemes for the purpose of purchase or import of motor vehicles. |
| | Motor cycles for employees of Government | |
| | Credit Scheme for the Purchase of bicycle | |
| | Motor vehicle loan scheme | |
| | Loan scheme for importation of motor vehicle | |
| | Motor vehicles for provincial council members | |
| | Vehicle Loan Scheme for selected Senior Journalists/ Artists / Authors | |
| | Bus purchase loan for private bus owners | |
| Education Loans | BoC comprehensive educational loan scheme | Financial assistance for students who are studying in Sri Lanka and Abroad. |
| | BoC Personal Computer Loan Scheme | Purchase of computer and accessories. |
| | Special Educational Loans Scheme | Educational loan scheme for students of Institute of Bankers of Sri Lanka (IBSL). |
| | Laptop Loan Scheme | Special loan scheme for university students to purchase laptop computers. |
| Multi Purpose Loans | Special Loan Schemes for | Professionals, government employees and employees in selected institutions to satisfy their various personal needs. |
| | | BoC customers for pilgrimage and holiday tours. |
| | | Migrant employees in Israel for consumption purpose. |
| | | the members of the Federation Of Self Employees (FOSE), who are engaged in self employement. |



| Category | Account Type | Description /Features |
|---|---|---|
| Trade Finance Facilities | Bills Acceptance facility | Facilities given to release the original shipping documents against an accepted draft to open at maturity. |
| | Pledge loans for importers | Facilities are granted to settle import bills<br>- goods pledged are kept under Bank's control |
| | Hypothecation Loans | Facilities are granted to settle import bills<br>- goods covered by the Hypothecation Bond |
| | Trust Receipt Loans | Facilities are granted to settle import bills<br>- Banks remains the title of goods<br>- Borrower is in possession of the goods holding in trust for the Bank |
| | Series of Loans | Facilities are granted to settle import bills under mortgage over movable or immovable property. |
| | Negotiation of Bills | Purchase Letter of credit documents under a complying presentation by advance funds to the exporters. |
| | Purchase of Export Bills (DA/ DP) | Purchase collection documents to advance funds to exporters. |
| Other Loan Schemes | Ransurekum Naya Seva | Short term advance against gold and gold articles. |
| | Term Loans | Financial option available for customers to cater their multi faceted long term financial needs. |
| | BOC Personal Loan Scheme | To meet any personal needs of the fixed income earning customers. |
| | Pledge Loans | To invest money as a capital to enhance the industry by pledging the trading stocks. |
| | Foreign Currency Loans | Facilities given in foreign currency to meet various needs of customer specially in International Trading. |
| | Bridging Loans | Interim financing facility for an individual or business until permanent or the next stage of financing can be obtained. |
| Other Credit Facilities | Guarantees | Letter 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. |
| | Purchasing of Cheques | To facilitate the customer by advancing against cheques. |

| Category | Account Type | Description /Features |
|---|---|---|
| Lease Financing | BoC Leasing Scheme | Flexible services, ability to obtain leasing facilities even without a guarantor. |
| | Special Leasing Scheme with DIMO | Leasing Facility to purchase a DIMO Batta vehicle. |
| | Leasing scheme for members of FOSE | Leasing facility to members of to purchase machines and equipment. |
| | Leasing scheme for Samurdhi entrepreneurs | Leasing Facilities for Samurdhi entrepreneurs to enchase their businesses. |
| Islamic Banking Products (Shari'ah Compliant Banking) | Deposits | BoC An-noor current account. |
| | | An-noor ordinary savings. |
| | | An-noor children's savings ('Afthal'). |
| | Foreign Currency | An-noor NRFC savings account foreign currency savings. |
| | | An-noor NRFC Afthfal account (children) foreign currency children's savings. |
| | Loans | Term Loan ('Murabaha'). |
| | | An-noor 'Wakala' |
| | | Local Murabaha (Pledge facilities) . |
| | | Letter of Guarantee (Local). |
| | | An-noor Trade Finance |
| | Leasing | An-noor Leasing ('Ijarah'). |
| | | Ijarah (Leasing) USD based. |
| Credit Card | Visa Credit Card | International VISA credit cards as Silver, Gold and Platinum (Black) to suit the customer needs. |
| | Master Credit Card | International Master credit cards as Silver, Gold and Titanium to suit the customer needs. |
| | Flexi Credit Card | Credit card facility against fixed deposit. |
| | Apsara Credit Card | Credit card for Kantha Ran Ginum holders. |
| | BoC Shopping Card | Additional credit card for shopping. |
| | Prepaid Credit Card | For the use of Government institutions for settlements of petty cash. |
| Debit Card | VISA Electron Debit Card | For POS transactions and withdraw money through any VISA ATM globally. |
| | Master Electron Debit Card | For POS transactions and withdraw money through any Master card ATM globally. |
| | 14 + Electron Debit Card | Debit card for 14+ account holders. |
| | Premier Electron Debit Card | Debit card for high net worth customers. |
| | International Student Identity Card | Identity card for international Students with VISA debit card. |
| | Kreeda Shakti Debit Card | Special debit card for sportsmen/women. |
| | NRFC Debit Card | Debit card for NRFC account holders to do transactions in foreign currency. |

# Products and Services

| Category | Account Type | Description /Features |
|---|---|---|
| Special Services | Mobile Services | Withdraw money from any branch from our interconnected branch network located Island wide (more than 500 branches). |
| | ATM Services | Facility to withdraw money from our ATM network (more than 450 ATMs). |
| | Cheque Encashment | Pre-arranged cheque encashed facility. |
| | Direct Debit | Direct debits to SLT, Dialog, Mobitel, Water Board etc.. convenient payment mode for utility bills. |
| | Foreign Currency | Sale of foreign currency form travel purposes. |
| | Bureau de Exchange (Travels Department ) | Issue of foreign currency and TC's for travel purposes. |
| | Traveller's Cheques | TC encashment and issue services. |
| Inward remittance & Funds Transfer | SWIFT | Secured fund transferring method to send or receive funds to/from any where in the world. |
| | BoC e-Cash | BoC own product of fund transferring from 96 exchange houses funds in real time with minimum cost. |
| | Web Based Fund Transfer Systems | Funds transferring system to transfer funds from any where in the world through Money Gram, Xpress Money, Sigue, Ez-Remit and SHIFT. |
| | SLIPS | Speed and secured fund transfer facility within the local banks rupee accounts which helps customers to do financial transactions more efficiently with minimum cost. |
| | RTGS Fund Transfer | Real time gross settlement system (RTGS) is a funds transfer systems (large sums) where transfer of money or securities within local banks on a "real time" and on "gross" basis. |
| Value-Added Services | Gold Shop | Sales of 24 Krt Gold. |
| | Safe Custody Vault | Safe keeping facility available in selected branches to keep valuable things in safe. |
| | Left Handers' Cheque Book | Specially designed cheque book for left hand users. |
| | Ran Kekulu Gift Vouchers | Special gift voucher for children to encourage the habit of savings. |
| | Money & Banking Museum | Located in 28th floor head office to educate the school children and the society about the history of banking and elevation of money. |
| | Small Entrepreneur Consultancy | Advisory service for small entrepreneurs to carry out their business more effectively and efficiently. |
| | Trade Information service | Import export trade advisory service. |
| | Multi-lingual Call Center | Help desk for all banking products and banking related matters. Facility is available everyday 24 hours in three languages. |
| | e-Channelling | e-Channelling counter in selected branches to channel their doctor online. |
| | Ran Kekulu Sansada | Savings units in schools to encourage school children's savings habits and introduce the bank to the future generation. |

| Category | Account Type | Description /Features |
|---|---|---|
| Other Servicers | SMS Banking | SMS alerts when every transaction is occurred. |
| | BoC Paymate | Paying utility bills, check the account balances, pay merchants at POS via SMS. |
| | BoC Internet Banking | Paying utility bills, check the account balance and obtain statements, fund transfers, credit card payments and via internet. |
| | Payment Facilities With | - Customs on-line payment facility. |
| | | - Share trading payments. |
| | | - Lake house advertisements. |
| | | - Electricity, Water, Phone, Insurance etc.. bill payments. |
| | | - IBSL, SLIIT etc., direct payment facilities. |
| | | - JET Liner direct Payments. |
| BOC Assurance | Life Insurance | In associate with Sri Lanka Insurance the Bank promotes life insurance polices which provide life-lost and disability coverage for credit schemes, tailor-made standalone life insurance covers for different needs of the clients and some pension related benefits. |
| | General Insurance | In associate with Sri Lanka Insurance the Bank promotes general insurance policies which provide extensive coverage for movable and immoveable assets together with human lives wherever necessary. |

# Subsidiaries & Associates

| | Principal activities | Bank's interest | Directors* | Highlights | 2012 LKR million | 2011 LKR million |
|---|---|---|---|---|---|---|
| **Subsidiary companies** | | | | | | |
| **Property Development PLC**<br>19th Floor,<br>BoC Head Office Building,<br>"BOC Square",<br>No. 01, Bank of Ceylon Mawatha,<br>Colombo 01<br><br>Tel: 011 2544328<br>011 2326922<br>011 2448549<br>Fax: 011 2544329<br>e-mail: pdlhrm@sltnet.lk | Own, maintain and manage the Bank of Ceylon Headquarters building | 93.16% | Dr. Gamini Wickramasinghe (Chairman)<br>Mr. P A Lionel<br>Mr. B M Amarasekera<br>Dr. M S Perera<br>Mr. L N de Silva Wijeyeratne<br>Mr. S E de Silva<br><br>Secretaries<br>Merchant Bank of Sri Lanka PLC | Stated Capital<br>Total assets<br>Total liabilities<br>Profit before tax<br>Profit after tax<br>EPS (LKR) | 660.0<br>3,290.2<br>428.4<br>442.7<br>318.4<br>4.82 | 660.0<br>3,383.8<br>399.0<br>422.4<br>316.6<br>4.80 |
| **Merchant Bank of Sri Lanka PLC**<br>BoC Merchant Tower,<br>No. 28, St. Michael's Road,<br>Colombo 03<br><br>Tel: 011 4711711<br>011 2565636<br>Fax: 011 2565666<br><br>e-mail: mbslbank@mbslbank.com<br>Website: www.mbslbank.com | Leasing and hire purchase, trade financing, micro credit, corporate advisory services, capital market activities, fund management and corporate secretarial services | 72.14% | Mr. M R Shah ( Chairman)<br>Mr. V Kanagasabapathy<br>Mr. K. Dharmasiri<br>Prof. R W T M Ranjith Bandara<br>Mr. P G Rupasinghe<br>Mr. A B L A de silva<br>Mr. M S S Paramananda<br>Ms. Dayani Fernando (Alternate Director to Mr. K Dharmasiri)<br>Secretaries<br>Ms. Karnika Jayathilake | Stated Capital<br>Total assets<br>Total liabilities<br>Profit before tax<br>Profit after tax<br>EPS (LKR) | 1,607.0<br>11,967.4<br>9,211.7<br>213.9<br>174.9<br>1.3 | 1,607.0<br>9,866.5<br>7,067.6<br>420.2<br>327.0<br>2.4 |
| **BOC Management & Support Services (Private) Limited**<br>25th Floor,<br>BoC Head Office Building,<br>"BOC Square",<br>No. 01, Bank of Ceylon Mawatha,<br>Colombo 01<br><br>Tel: 011 2446790 | Provides management services to the group | 100% | Mr. Gamini Wickramasinghe (Chairman)<br>Mr. K Dharmasiri<br>Mr. D P K Gunasekera<br>Mr. W A C Tissera<br><br>Secretaries<br>Ms. Janaki Senanayake Siriwardane | Stated Capital<br>Total assets<br>Total liabilities<br>Profit before tax<br>Profit after tax<br>EPS (LKR) | 1.0<br>8.6<br>0.4<br>0.5<br>0.4<br>0.4 | 1.0<br>8.5<br>0.8<br>0.4<br>0.4<br>0.4 |

* 31.12.2012

| | Principal activities | Bank's interest | Directors* | Highlights | 2012 LKR million | 2011 LKR million |
|---|---|---|---|---|---|---|
| **BOC Property Development & Management (Private) Limited**<br>19th Floor,<br>BoC Head Office Building,<br>"BOC Square",<br>No. 01, Bank of Ceylon Mawatha,<br>Colombo 01<br><br>Tel: 011 2388229<br>011 2544328<br>Fax: 011 2544329<br>e-mail: pdlhrm@sltnet.lk | Renting of office space of BoC Merchant Tower in Colombo 03 and Ceybank House in Kandy. | 100% | Mr. K Dharmasiri<br>Mr. P J Jayasinghe<br>Ms. S H Ranawaka<br>Mr. K T Karunarathna<br>Mr. M K Nandasiri (Alternate Director to Mr. K Dharmasiri)<br><br>Secretaries<br>Merchant Bank of Sri Lanka PLC | Stated Capital<br>Total assets<br>Total liabilities<br>Profit before tax<br>Profit after tax<br>EPS (LKR) | 1,010.0<br>1,401.0<br>82.3<br>85.8<br>24.1<br>0.2 | 1,010.0<br>1,335.8<br>30.4<br>78.1<br>88.8<br>0.9 |
| **BOC Travels (Private) Limited**<br>1st Floor,<br>BoC Super Grade Branch Building,<br>Baseline Road,<br>Colombo 08<br><br>Tel: 011 2688154-8<br>Fax: 011 2688175<br>e-mail: ceybank@eureka.lk<br>Website: www.boctravels.com | Carry on the business of travel agent, tour operator, general sales agent and provide facilities to tourists visiting Sri Lanka or residents of Sri Lanka travelling abroad. | 100% | Mr. Chandrasiri de Silva (Chairman)<br>Ms. Nalini Abeywardene<br>Mr. K Dharmasiri<br>Mr. M K Nandasiri<br>Mr. D N L Fernando<br>Mr. Lalith J Fernando<br>Mr. D M Gunasekara<br>(Alternate Director to Mr. K Dharmasiri)<br><br>Secretaries<br>Merchant Bank of Sri Lanka PLC | Stated Capital<br>Total assets<br>Total liabilities<br>Profit before tax<br>Profit after tax<br>EPS (LKR) | 2.5<br>174.2<br>50.2<br>48.3<br>42.7<br>170.8 | 2.5<br>132.8<br>47.1<br>27.4<br>23.6<br>94.4 |
| **Hotels Colombo (1963) Limited**<br>No. 02,<br>York Street,<br>Colombo 01<br><br>Tel: 011 2320320<br>011 5221144<br>Fax: 011 380433<br>e-mail: info@grandoriental.com<br>Website: www.grandoriental.com | Provides hotel services | 99.99% | Mr. Rohan Jayasinghe (Chairman)<br>Ms. Nalini Abeywardene<br>Mr. Chandrasiri de Silva<br>Mr. K Dharmasiri<br>Mr. T Mutugala<br>Mr. M P R Kumara<br>Mr. C D K Walisundara<br>Mr. J C Ratwatte<br>Ms. W I Hettihewa<br>Mr. H M Mudiyanse<br>(Alternate Director to Mr. K Dharmasiri)<br><br>Secretaries<br>Merchant Bank of Sri Lanka PLC | Stated Capital<br>Total assets<br>Total liabilities<br>Profit before tax<br>Profit after tax<br>EPS (LKR) | 100.8<br>286.6<br>71.7<br>53.4<br>48.5<br>4.8 | 100.8<br>216.0<br>71.2<br>42.0<br>38.9<br>3.9 |

* 31.12.2012

# Subsidiaries & Associates

| | Principal activities | Bank's interest | Directors* | Highlights | 2012 LKR million | 2011 LKR million |
|---|---|---|---|---|---|---|
| **MCSL Financial Services Limited**<br>11th Floor,<br>BoC Merchant Tower,<br>No. 28, St. Michael's Road,<br>Colombo 03<br><br>Tel: 011 2301501<br>Fax: 011 4627850<br>e-mail: mcslmail@yahoo.com<br>Website: www.mcsl.lk | Acceptance of deposits, granting lease facilities, hire purchase, loans and other credit facilities, real estate developments and related services. | 85.79% | Mr. A B L A de Silva (Chairman)<br>Mr. Raju Sivaraman<br>Mr. T Muthugala<br>Ms. C K Jayaratne<br>Dr. Thiran de Silva<br>Mr. M R Shah<br>Ms. W A Nalini | Stated Capital<br>Total assets<br>Total liabilities<br>Profit before tax<br>Profit after tax<br>EPS (LKR) | 100.0<br>7,004.8<br>6,338.6<br>152.4<br>129.5<br>13.0 | 100.0<br>5,950.0<br>5,393.5<br>127.2<br>97.9<br>9.8 |
| **Ceylease Limited**<br>No. 182, Platinum Tower,<br>Elvitigala Mawatha,<br>Colombo 08<br><br>Tel: 011 2681850<br>011 2358000<br>011 4710350<br>Fax: 011 4710359<br>011 2681851<br>e-mail: ceylease@ceylease.lk<br>Website: www.ceylease.lk | Granting lease facilities, hire purchase, loans and other credit facilities, real estate developments and pawning | 55.00% | Mr. Raju Sivaraman (Chairman)<br>Mr. W A Asoka Rupasinghe<br>Ms. Dayani Fernando<br>Mr. S Liyanwala<br>Mr. B Premalal<br>Mr. Kishan Jayasekara<br>Mr. B M D Chaminda Prabhath<br>Mr. M Aslam Omar<br>(Alternate Director to Mr. Kishan Jayasekara)<br><br>Secretaries<br>Varners International (Private) Limited | Stated Capital<br>Total assets<br>Total liabilities<br>Profit before tax<br>Profit after tax<br>EPS (LKR) | 200.0<br>1,638.8<br>1,410.5<br>15.6<br>2.7<br>0.1 | 200.0<br>1,562.0<br>1,336.3<br>(12.3)<br>(27.8)<br>- |
| **Ceybank Holiday Homes (Private) Limited**<br>12th Floor,<br>BoC Head Office Building,<br>"BOC Square",<br>No. 01, Bank of Ceylon Mawatha,<br>Colombo 01<br><br>Tel: 011 2447845<br>011 2204103-4<br>Fax: 011 2447845<br>e-mail: ceybankhh@gmail.com<br>Website: www.ceybankholidayhomes.com | Operating of pilgrims rests, holiday homes and guest houses. | 100% | Dr. Gamini Wickramasinghe (Chairman)<br>Mr. K Dharmasiri<br>Mr. D M Gunasekara<br>Mr. P J Jayasinghe<br>Ms. Janaki Senanayake Siriwardane<br>Mr. W G Ariyaratne<br>Ms. H M Ratnayake<br><br>Secretary<br>Ms. Janaki Senanayake Siriwardane | Stated Capital<br>Total assets<br>Total liabilities<br>Profit before tax<br>Profit after tax<br>EPS (LKR) | -<br>22.7<br>18.8<br>0.2<br>0.04<br>686.9 | -<br>17.3<br>13.4<br>2.0<br>1.7<br>24,756.33 |

* 31.12.2012

| | Principal activities | Bank's interest | Directors* | Highlights | 2012 LKR million | 2011 LKR million |
|---|---|---|---|---|---|---|
| **MBSL Insurance Company Limited**<br>No. 122,<br>Kew Road,<br>Colombo 02.<br><br>Tel: 011 2304500<br>Fax: 011 2300499<br>e-mail: info@mbslinsurance.lk<br>Website: www.mbslinsurance.lk | Underwriting of all classes of life and general insurance. | 56.28% | Mr. M R Shah (Chairman)<br>Mr. P S K L Gajanayake<br>Mr. Lakshman Perera<br>Mr. P G Rupasinghe<br>Dr. R W T M Ranjith Bandara<br>Mr. S G S Senerath<br>Mr. K A D G L Kaluarachchi<br>Mr. D B Gamalath<br>Mr. S D Amalean<br>Mr. S Ahangama (Alternate Director to Mr. S D Amalean)<br><br>Secretaries<br>Merchant Bank of Sri Lanka PLC | Stated Capital<br>Total assets<br>Total liabilities<br>Profit before tax<br>Profit after tax<br>EPS (LKR) | 779.5<br>1,348.1<br>947.2<br>11.6<br>8.2<br>0.0 | 779.5<br>1,010.4<br>631.3<br>6.9<br>3.7<br>0.0 |
| **MBSL Savings Bank Limited**<br>No.519,<br>T.B Jayah Mawatha,<br>Colombo 10.<br><br>Tel: 011 2374000<br>Fax: 011 2374044<br>e-mail: savingsbank@mbslsavingsbank.com<br>Website: www.mbslsavingsbank.com | Provides financial services including accepting deposits, granting term and mortgage loans, lease financing, hire purchase financing, pawning and etc. | 54.25% | Mr. M R Shah (Chairman)<br>Mr. B R S T Edirisinghe<br>Mr. P G Rupasinghe<br>Mr. M S S Paramananda<br>Dr. S T S de Silva<br>Mr. K D A Fernando<br>Mr. H M A B Weerasekara<br>Mr. H D P Jayathilake<br><br>Secretary<br>Mr. T K Attanayake | Stated Capital<br>Total assets<br>Total liabilities<br>Profit before tax<br>Profit after tax<br>EPS (LKR) | 847.2<br>2,573.0<br>2,471.8<br>(138.1)<br>(138.1)<br>- | 727.8<br>2,660.2<br>2,540.4<br>(66.0)<br>(66.0)<br>- |
| **Koladeniya Hydropower (Private) Limited**<br>19th Floor,<br>BoC Head Office Building,<br>"BOC Square",<br>No. 01, Bank of Ceylon Mawatha,<br>Colombo 01<br><br>Tel: 011 2544328<br>Fax: 011 2544329<br>e-mail: pdlceo@sltnet.lk | Hydropower generation | 93.16% | Dr. Gamini Wickramasinghe (Chairman)<br>Mr. P A Lionel<br>Dr. M S Perera<br>Mr. S E de Silva<br><br>Secretaries<br>M/s Em En Es (Assignments) (Private) Limited | Stated Capital<br>Total assets<br>Total liabilities<br>Profit before tax<br>Profit after tax<br>EPS (LKR) | 217.0<br>304.0<br>57.0<br>32.6<br>32.6<br>1.5 | -<br>260.6<br>263.1<br>(1.4)<br>(1.4)<br>- |

* 31.12.2012

# Subsidiaries & Associates

| | Principal activities | Bank's interest | Directors* | Highlights | 2012 LKR million | 2011 LKR million |
|---|---|---|---|---|---|---|
| **Bank of Ceylon (UK) Limited**<br>No:1, Devonshire Square,<br>London EC2M 4WD<br>United Kingdom<br><br>Tel: +44 207 3771 888<br>Fax: +44 207 3775 430<br>e-mail: info@bankofceylon.co.uk<br>Website: www.bankofceylon.co.uk | Provides financial services including accepting deposits and dealing in investments | 100% | Dr. Gamini Wickramasinghe (Chairman)<br>Mr. K Dharmasiri<br>Mr. Senarath Bandara<br>Mr. D S Muthukudaarachchi<br>Mr. W D R Swanney<br>Mr. R England<br><br>Secretary<br>Mr. D S Muthukudaarachchi | Stated Capital<br>Total assets<br>Total liabilities<br>Profit before tax<br>Profit after tax<br>EPS (LKR) | 2,683.9<br>17,586.8<br>14,631.8<br>(63.0)<br>(46.3)<br>- | 2,087.2<br>13,180.5<br>11,129.2<br>(69.7)<br>(78.5)<br>- |
| ASSOCIATE COMPANIES | | | | | | |
| **Ceybank Asset Management Limited**<br>No. 54/C1, Ward Place,<br>Colombo 07<br><br>Tel: 011 7602000-2<br>Fax: 011 2448404<br>e-mail: ceybank@slt.lk<br>Website: www.ceybank.com | Management of Unit Trust Funds and other private portfolios. | 43.36% | Mr. K L Hewage (Chairman)<br>Mr. K Dharmasiri<br>Mr. D M Gunasekara<br>Mr. M Selvanathan<br>Mr. C Sathkumara<br>Mr. M S P R Perera<br>Mr. A M M de Alwis<br>Shri. B Babu Rao<br>Mr. P A Lional (Alternate Director to Mr. K Dharmasiri)<br><br>Secretaries<br>Carsons Management Services (Private) Limited | Stated Capital<br>Total assets<br>Total liabilities<br>Profit before tax<br>Profit after tax<br>EPS (LKR) | 37.6<br>319.2<br>43.4<br>61.2<br>48.0<br>16.8 | 37.6<br>312.8<br>71.5<br>110.5<br>75.3<br>26.3 |
| **Sourthern Development Financial Company Limited**<br>No. 18, Bandarawatta,<br>Pamburana,<br>Matara<br><br>Tel: 041 2221618 | Granting loan facilities | 41.67% | Mr. A P S R Gunasekara (Chairman)<br>Mr. D K N Piyasoma<br>Mr. R Ranathunga<br><br>Secretaries<br>MSL Galle (Private) Limited | Stated Capital<br>Total assets<br>Total liabilities<br>Profit before tax<br>Profit after tax<br>EPS (LKR) | 60.0<br>36.5<br>35.0<br>(0.4)<br>(0.4)<br>0.0 | 60.0<br>38.9<br>36.9<br>2.6<br>2.6<br>0.0 |

* 31.12.2012

| | Principal activities | Bank's interest | Directors* | Highlights | 2012 LKR million | 2011 LKR million |
|---|---|---|---|---|---|---|
| **Lanka Securities (Private) Limited**<br>No.228/2.<br>Galle Road,<br>Colombo 04<br><br>Tel: 011 4706757<br>011 2554942<br>Fax: 011 4706767<br>e-mail: lankasec@sltnet.lk<br>Website: www.lsl.lk | Equity trading, debt trading and margin trading | 40.92% | Ms. Aamna Taseer (Chairperson)<br>Mr. P A Lionel<br>Mr. M Eshan ul-Haq<br>Mr. Farooq Bin Habib<br>Mr. K U D Gamage<br>Mr. M R Shah<br>Mr. H U Rehman<br>(Alternate to Mr.M Eshan ul-Haq)<br>Mr. S A N Zaidi<br>(Alternate to Mr.Farooq Bin Habib)<br><br>Secretaries<br>Merchant Bank of Sri Lanka PLC | Stated Capital<br>Total assets<br>Total liabilities<br>Profit before tax<br>Profit after tax<br>EPS (LKR) | 279.6<br>461.4<br>95.1<br>(60.3)<br>(66.5)<br>- | 279.6<br>711.4<br>253.5<br>207.8<br>154.7<br>8.85 |
| **Mireka Capital Land (Private) Limited**<br>No. 324, Havelock Road,<br>Colombo 06<br>Tel: 011 2596793,<br>011 2505100<br>011 2346333<br>Fax: 011 2449303<br>e-mail: info@mireka.com<br>Website: www.havelockcity.com | Purchasing, hiring and acquiring real estate properties, real estate developments and providing infrastructure facilities to real estate development projects. | 40% | Mr. S P Tao (Chairman)<br>Dr. Gamini Wickremasinghe<br>Mr. W P Russel Fonseka<br>Mr. H S Jayawardene<br>Mr. M T Ong<br>Mr. H Z Cassim<br>Mr. L R de Lanerolle<br>Mr. A M de S Jayarathne<br>Ms. K A D Fernando<br>(Alternate Director to Dr. Gamini Wickramasinghe)<br>Mr. T Mutugala<br>(Alternate Director to Mr. W P Russel Fonseka)<br>Mr. E P Ong<br>(Alternate Director to Mr. S P Tao )<br><br>Secretary<br>Ms. Jayanga Kumudu Kumari Wegodapola | Stated Capital<br>Total assets<br>Total liabilities<br>Profit before tax<br>Profit after tax<br>EPS (LKR) | 1,875.0<br>6,208.0<br>3,850.7<br>16.4<br>(3.6)<br>- | 1,875.0<br>5,911.4<br>3,503.6<br>165.7<br>150.1<br>0.80 |
| **Transnational Lanka Records Solutions (Private) Limited**<br>2nd Floor, No. 151/3,<br>Castle Road,<br>Colombo 08<br><br>Tel: 011 7574574<br>011 7574575<br>Fax: 011 4514588<br>e-mail: tlrs@prontolanka.com<br>Website: www.transnational-grp.com | Renting properties and real estates | 24.69% | Mr. W P Russel Fonseka (Chairman)<br>Mr. H K W Gunasinghe<br>Mr. D K W Liew<br>Mr. S J Jebarathnam<br><br>Secretaries<br>P.W. Corporate Secretarial (Private) Limited | Stated Capital<br>Total assets<br>Total liabilities<br>Profit before tax<br>Profit after tax<br>EPS (LKR) | 81.0<br>288.0<br>54.0<br>63.9<br>63.9<br>0.79 | 81.0<br>177.1<br>7.2<br>33.9<br>33.9<br>0.42 |

* 31.12.2012

# BoC Correspondent Banks by Country

**AFGHANISTAN**
1 Afghanistan Bank DA

**ALBANIA**
2 Raiffeisen Bank

**ALGERIA**
3 Banque Exterieure D'Algerie

**ARGENTINA**
4 Banco Macri Bansud SA
5 Banco Finansur SA
6 Banco Credicoop Cooperativo Limited

**ARMENIA**
7 Ardshininvestment Bank

**AUSTRALIA**
8 Australia & New Zealand Banking Group Limited
9 Commonwealth Bank of Australia
10 HSBC Bank Australia Limited
11 National Australia Bank Limited
12 Westpec Banking Corporation

**AUSTRIA**
13 Allgemeine Sparkasse Oberosterreich
14 Bank Austria Creditanstalt AG
15 Bawag PSK Bank
16 Bks Bank AG
17 Erste Bank Der Oesterreichischen Sparkassen AG
18 Erste Group Bank AG
19 Oberbank AG
20 Osterreichische Volksbanken AG
21 Raiffeisen Zentrale Bank Osterreich AG
22 Raiffeisenlandes bank Oberosterreich Aktiengesellschaft
23 Salzburger Landes - Hypothekenbank AG
24 Vorarlberger Landes-Und Hypothekenbank Aktiengesellschaft

**BAHRAIN**
25 Ahli United Bank
26 Albaraka Islamic Bank
27 Arab Banking Corporation
28 Bahrain Islamic Bank
29 BBK (Formerly Bank of Bahrain & Kuwait BSC)
30 BMI Bank B S C (C)
31 Gulf International Bank
32 Habib Bank Limited
33 HSBC Bank Middle East
34 National Bank of Bahrain
35 The Arab International Company

**BANGLADESH**
36 Agrani Bank
37 Bangladesh Krishi Bank
38 BASIC Bank Limited (Banladesh Small Industries & Commerce Bank Limited)
39 Janata Bank
40 Prime Bank Limited
41 Pubali Bank Limited
42 Sonali Bank
43 The Premier Bank Limited
44 Uttara Bank

**BELARUS**
45 Belarus Bank (Formerly Minskcomplex Bank)
46 Belvnesheconombank

**BELGIUM**
47 Antwerpse Diamant Bank NV
48 Banca Monte Paschi, Belgio
49 Byblos Bank Europe SA
50 Deutsche Bank SA/NV
51 Fortis Bank NV/SA
52 ING Belgium SA/NV (Formerly Bank Brussels Lambert)
53 KBC Bank NV

**BERMUDA**
54 Bank of Bermuda Limited

**BOTSWANA**
55 Barclays Bank of Botswana Limited

**BRAZIL**
56 Banco ABC Brasil SA
57 Banco Do Brazil
58 Banco FIBRA SA
59 Banco Industriel E Commercial SA (Bicbanco)
60 Banco Indusval SA

**BULGARIA**
61 Central Cooperative Bank
62 Investbank PLC
63 Municipal Bank PLC
64 Raiffeisenbank (Bulgaria) EAD
65 Texim Bank
66 Unicredit Bulbank AD (Formerly Bulbank AD)
67 United Bulgarian Bank AD

**CAMBODIA**
68 Acleda Bank PLC

**CANADA**
69 Bank of Montreal
70 Bank of Nova Scotia
71 Canadian Imperial Bank of Commerce
72 HSBC Bank Canada (Formerly Credit Lyonnais Canada)
73 Royal Bank of Canada
74 Toronto Dominion Bank

**CHILE**
75 Corpbanca

**CHINA**
76 Bank of Changsha
77 Bank of China
78 Bank of Communications
79 Bank of Hangzhou Company Limited
80 Bank of Jiangsu
81 Bank of Jiujiang Company Limited
82 Bank of Nanjing
83 Bank of Shaoxing Company Limited
84 Changshu Rural Commercial Bank
85 China Construction Bank
86 China Development Bank Corporation
87 China Everbright Bank
88 Evergrowing Bank
89 Export Import Bank of China
90 OCBC Bank (China) Limited
91 Xian City Commercial Bank Company Limited
92 Zhejiang Nanxun Rural Cooperative Bank
93 Zhejiang Xiaoshan Rural Cooperative Bank

**COLOMBIA**
94 Banco Popular

**COOK ISLANDS**
95 WSBC Bank (Wall Street Banking Corporation Limited)

**CROATIA**
96 Zagrebacka Banka DD

**CUBA**
97 Banco National De Cuba (Vol 6)

**CYPRUS**
98 Alpha Bank Cyprus Limited
99 Bank of Cyprus Public Company Limited
100 Hellenic Bank Public Company Limited
101 Marfin Popular Bank Public Company Limited (Formerly Cyprus Popular Bank Public Company Limited) (Laiki Bank)
102 National Bank of Greece (Cyprus) Limited

**CZECH REPUBLIC**
103 Ceska Sporitelna AS
104 Ceskoslovenska Obchodni Banka AS
105 Ge Money Bank AS
106 Komercni Banka AS
107 LBBW Bank CZ AS
108 Raiffeisen Bank
109 Unicredit Bank Czech Republic AS

**DENMARK**
110 ALS Skiern Bank
111 Danmarks National Bank
112 Danske Bank AS
113 Jyske Bank AS
114 Nordea Bank Denmark AS
115 Nordjyske Bank AS
116 Rinkjobing Landbobank
117 Skjern Bank
118 Spare Nord Bank
119 Sparebank Vest
120 Sydbank AS
121 Vestjysk Bank

**ECUADOR**
122 Banca International Produbanco

**EGYPT**
123 ABC Egypt (Arab Banking Corporation)
124 Arab International Bank
125 Bank of Alexandria (alexbank)
126 Banque Du Carie SAE
127 Banque MISR SAE
128 Central Bank of Egypt
129 Commercial International Bank (Egypt) SAE
130 Credit Agricole Indosuez (Egypt) SAE (Now Calyon Bank Egypt) SAE
131 Egyptian Saudi Finance Bank
132 Faisal Islamic Bank of Egypt SAE
133 Mohandes Bank
134 National Bank of Egypt
135 Suez Canal Bank SAE

**ESTONIA**
136 SEB Pank

**ETHIOPIA**
137 Commercial Bank of Ethiopia

**FIJI**
138 National Bank of Fiji Limited (Colonial National Bank)

**FINLAND**
139 Aktia Bank PLC
140 Nordea Bank Finland PLC
141 OKO Osuuspankkien Keskuspankki OYJ
142 Pohjola Bank PLC
143 Sampo Bank PLC

**FRANCE**
144 Al Kahaliji France SA
145 Bank of India (Paris Branch)
146 Banque BIA
147 Banque De Neuflize, Schlumberger, Mallet, Demachy
148 Banque D'escompte
149 Banque Federative Du Credit Mutuel
150 Banque Palatine
151 Banque SBA
152 BNP Paribas
153 Calyon
154 Cic Lyonnaise De Banque
155 Credit Agricole
156 Credit Cooperatif
157 Credit Du Nord
158 Credit Industrial Del' Quest
159 Credit Industrial ET Commercial (CIC)
160 Credit Lyonnais
161 HSBC Private Bank France SA
162 Natixis (Formerly Natexis Banque Populaires)
163 Societe Generale
164 Union De Banque Arabes ET Francaises (UBAF)
165 VTB Bank (France) SA (Formerly Banque Commerciale Pour L' Europe Du Nordeurobank)

**GEORGIA**
166 Bank of Georgia

**GERMANY**
167 Baden Wuttenbergische Bank AG
168 Bankhaus Carlf Plump & Company
169 Bankhaus Neelmeyer AG
170 Bayerische Hypo-Und Vereinsbank AG
171 Bayerische Landesbank
172 Berenberg Bank
173 Berliner Volksbank EG
174 BHF Bank Aktiengeselschaft
175 Bremer Landesbank
176 Commerzbank AG (Dusseldorf - Germany)
177 Commerzbank AG (Frankfurt - Germany)
178 Degussa Bank
179 Deutsche Bank AG
180 Deutsche Bundesbank
181 Deutsche Postbank AG
182 DVB Bank AG
183 DZ Bank AG
184 Frankfurter Volksbank EG
185 Hamburger Sparkasse AG
186 HSBC Trinkaus & Burkhardt KGA
187 ING BHF - Bank AG
188 Kreissparkasse Esslingen -Nurtingen
189 Kreissparkasse Goppingen
190 Kreissparkasse Heilbronn
191 Landesbank Baden-Wurttemberg
192 Landesbank Berlin AG (Merger of Bankgesel-Lschaft Berlin AG & Landesbank Berlin AG)
193 Landesbank Hessen Thuringen Girozentrale
194 LRP Landesbank Rheinland PFALZ
195 Mainzer Volksbank EG
196 Nassauische Sparkasse
197 Nordeutsche Landesbank Girozentrale
198 NRW Bank
199 Oldenburgische Landesbank AG
200 Sparkasse Bielefeld
201 Sparkasse Dortmund
202 Sparkasse Duren
203 Sparasse Essen (Stadtsparkasse Essen)
204 Sparkasse Hannover
205 Sparkasse Herford
206 Sparkasse Pforzheim CALW
207 Stadtsparkasse Dusseldorf
208 Stadtsparkasse Monchengladbach
209 Stadtsparkasse Wuppertal
210 Standard Chartered Bank (Frankfurt-Germany)
211 Westlb AG

**GHANA**
212 Ghana Commercial Bank Limited

**GREECE**
213 Alpha Bank
214 Aspis Bank
215 EFG Eurobank Ergasias SA
216 Marfin Egnatia Bank SA (Formerly Egnatia Bank SA)
217 National Bank of Greece
218 Piraeus Bank

**HONG KONG**
219 Bank of East Asia Limited
220 Cathay Bank
221 Chiyu Banking Corporation Limited
222 Chong Hing Bank Limited (Formerly Liu Chong Hing Bank Limited)
223 DAH Sing Bank Limited
224 DBS Bank (Hong Kong) Limited
225 Hang Seng Bank Limited
226 Hongkong & Shanghai Banking Corporation
227 Industrial and Commercial Bank of China (Asia) Limited
228 Nan Yang Commercial Bank Limited
229 Oversea - Chinese Banking Corporation
230 Shanghi Commercial Bank Limited
231 UBAF Hong Kong Limited (UBAF) Union de Banques Arabes Et Francaises
232 Wing Hang Bank Limited

**HUNGARY**
233 Bank of Hungarian Savings Cooperatives Company Limited
234 Budapest Credit Development Bank RT
235 Central-European Int'l Bank Limited (CIC Bank)
236 ERST Bank Hungary NYRT
237 Kereskedelmi Es Hitelbank (K and H Bank NYRT)
238 Magyar Nemzeti Bank
239 Raiffeisen Bank ZRT
240 Unicredit Bank Hungary ZRT

**ICELAND**
241 GLITNIR BANK HF (Formerly Islandbanki FBA Limited)

**INDIA**
242 Allahabad Bank
243 Andhra Bank
244 Axis Bank
245 Bank of Baroda
246 Bank of India (Mumbai)
247 Bank of Maharashtra
248 Canara Bank
249 Central Bank of India
250 Corporation Bank
251 Development Credit Bank Limited
252 HDFC Bank
253 ICICI Bank Limited
254 IDBI Bank Limited
255 Indian Bank
256 Indian Overseas Bank
257 Indusind Bank Limited
258 Jammu & Kashmir Bank Limited
259 Karur Vysya Bank
260 Punjab & Sind Bank Limited
261 Punjab National Bank
262 Saraswat - Cooperative Bank Limited
263 State Bank of India
264 State Bank of Hyderabad
265 State Bank of Travancore
266 Syndicate Bank
267 Tamilnad Mercantile Bank Limited
268 The Bank of Rajastan Limited
269 UCO Bank
270 Union Bank of India
271 United Bank of India

**INDONESIA**
272 PT Bank Pan Indonesia TBK (Panin Bank)
273 Bank Artha Graha
274 Bank Mega
275 PT Bank Bukopin
276 PT Bank Central Asia TBK
277 PT Bank Ekspor Indonesia
278 PT Bank Mandiri (Persero)
279 PT Bank Negara Indonesia TBK
280 PT Bank Permata TBK
281 PT Bank Rabobank International
282 PT Bank Rakyat Indonesia

**IRAQ**
283 Central Bank of Iraq
284 Rafidain Bank
285 Rasheed Bank

# Banks by Country

**IRELAND**
286 Allied Irish Bank PLC

**ISRAEL**
287 Bank Hapoalim BM
288 Bank Leumi Le Israel BM
289 Bank of Palestine
290 First International Bank of Israel Limited
291 Israel Discount Bank
292 Mercantile Discount Bank Limited
293 Mizrahi Tefahot Bank Limited
294 Union Bank of Israel Limited

**ITALY**
295 Banca Agricola Mantovana SPA
296 Banca Antonveneta SPA
297 Banca Carige SPA
298 Banca Delle Marche SPA
299 Banca Di Cividale SPA
300 Banca Di Credito Cooperativo Di Alba
301 Banca Di Imola SPA
302 Banca Di Roma
303 Banca Etruria Soc Coop
304 Banca Monte Dei Paschi Di Siena
305 Banca Nazional Del Lavoro SPA (Merged Into BNP Paribas)
306 Banca Popolare - Volksbank (Banca Popolare Dell Alto Adige)
307 Banca Popolare Dell Emilia Romagna
308 Banca Popolare Di Milano
309 Banca Popolare Di Ravenna SPA
310 Banca Popolare Di Sondrio
311 Banca Popolare Di Verona E Novara SCRL
312 Banca Popolare Di Vicenza Scparl
313 Banca Regionale Europea SPA
314 Banca Toscana SPA
315 Banca Ubae SPA
316 Banca Valsabbina SCPA
317 Banco Carim - Cassa Di Risparmio Di Rimini SPA
318 Banco Di Desio E Della Brianza SPA
319 Banco Di Sardegna SPA
320 Banco Di Sicilia
321 Bipop-Carires
322 Cariparma SPA
323 Cassa Di Risparmio Di Ascoli Piceno SPA
324 Cassa Di Risparmio Di Bolzano SPA
325 Cassa Di Risparmio Di Carrara SPA
326 Cassa Di Risparmio Di Prato SPA (Cariprato)
327 Cassa Di Risparmio Di San Miniato SPA
328 Credito Bergamasco SPA
329 Credito Valtellinese
330 Deutsche Bank SPA
331 Hypo Alpe-Adria-Bank SPA
332 Intesa Sanpaolo SPA (Formerly Banca Intesa SPA)
333 Ubi Banca
334 Ugf Banca
335 Unicredito Italiano SPA
336 Unipol Banca SPA

**JAMAICA**
337 National Commercial Bank of Jamaica Limited

**JAPAN**
338 77 Bank Limited
339 Aozora Bank Limited
340 Australia & New Zealand Banking Group Limited
341 AWA Bank Limited
342 Bank of KOCHI Limited
343 Bank of KYOTO
344 Bank of Tokyo-Mitsubishi UFJ Limited
345 Bank of Yokohama Limited
346 Chiba Kogyo Bank Limited
347 Chukyo Bank Limited
348 Chuo Mitsui Trust And Banking Company Limited
349 Gunma Bank Limited
350 Higashi-Nippon Bank
351 Hokuriku Bank Limited
352 Kinki Osaka Bank Limited
353 KIYO Bank Limited
354 KYOTO Shinkin Bank
355 Minato Bank Limited (Formerly Midori Bank Limited)
356 Mitsubish Trust & Banking Company
357 Mizuho Bank Limited
358 Mizuho Corporate Bank Limited
359 Nishi Nippon City Bank Limited
360 Okazaki Shinkim Bank
361 Osaka City Shinking Bank
362 Resona Bank Limited
363 Saitama Resona Bank Limited
364 Seto Shinkin Bank
365 Shiga Bank Limited
366 Shinkin Central Banko
367 Shinsei Bank Limited (Formerly Long Term Credit Bank of Japan)
368 Standard Chartered Bank
369 Sugamo Shinkin Bank
370 Sumitomo Mitsui Banking Corporation
371 The Asahi Shinkin Bank
372 The Ashikaga Bank Limited
373 The Hokkaido Bank Limited
374 The Shikoku Bank Limited
375 The Shizuoka Bank Limited
376 The Yokohama Shinkin Bank
377 Tokushima Bank Limited
378 Tokyo Tomin Bank Limited
379 Tomato Bank Limited
380 Towa Bank Limited
381 Yamagata Bank Limited
382 Yamaguchi Bank Limited
383 Yamanashi Chuo Bank Limited

**JORDAN**
384 Arab Bank PLC
385 Arab Jordan Investment Bank
386 Bank Al Etihad
387 Bank Audi Sal - Audi Saradar Group
388 Bank of Jordan PLC
389 Cairo Amman Bank
390 Housing Bank for Trade & Finance
391 Investbank (Formerly Jordan Investment & Finance Bank (JIF Bank)
392 Islamic International Bank Limited
393 Jordan Ahli Bank PLC w.e.f 12/11/2006 (Formerly Jordan National Bank)
394 Jordan Commercial Bank (Formerly Jordan Gulf Bank)
395 Jordan Dubai Islamic Bank
396 Jordan Kuwait Bank

**KAZAKSTAN**
397 JSC Bank Centercredit

**KENYA**
398 Barclays Bank of Kenya Limited
399 Kenya Commercial Bank Limited

**KOREA**
400 Citibank Korea Inc (Formerly Koram Bank)
401 Foreign Trade Bank of The Democratic People's Bank of Korea
402 Hana Bank (Merger of Hana Bank & Seoul Bank)
403 Kookmin Bank
404 Korea Development Bank
405 Korea Exchange Bank
406 Kyongnam Bank
407 Pusan Bank
408 The Kwangju Bank Limited
409 Woori Bank

**KUWAIT**
410 Al Ahli Bank of Kuwait
411 Bank of Kuwait & the Middle East
412 Burgan Bank SAK
413 Commercial Bank of Kuwait SAK
414 Gulf Bank
415 Kuwait International Bank
416 National Bank of Kuwait SAK

**KYRGYZSTAN**
417 Asia Universal Bank

**LATVIA**
418 Parex Bank
419 Rietumu Bank
420 Seb Banka

**LEBANON**
421 Al Ahli International Bank SAL
422 Arab African International Bank
423 Arab Bank PLC (Lebanon Branches Centre) Beirut
424 Audi Saradar Private Bank SAL
425 BLC Bank SAL
426 Bank Audi SAL - Audi Saradar Group
427 Bank Bemo SAL
428 Bankmed SAL
429 Bank of Beirut SAL
430 Banque Libano Francaise
431 BBAC SAL(Formerly Bank of Beirut & the Arab Countries SAL)
432 BLOM Bank SAL
433 Byblos Bank SAL
434 Credit Libanais SAL
435 First National Bank SAL
436 Fransbank SAL
437 IBL Bank
438 Jamal Trust Bank SAL
439 Societe Generale Banque Au Liban SAL
440 Meab Bank

441 Near East Commercial Bank SAL
442 Societe Nouvelle De La Banque De Syrie Et Du Liban SAL

**LIBYA**
443 Gumhoria Bank
444 National Commercial Bank SAL
445 Umma Bank SAL
446 Wahda Bank

**LITHUANIA**
447 AB Bankas Hansa Bankas
448 AB Bankas Snoras
449 SEB Bank
450 UKIO Bank AS

**MACAU**
451 Banco Weng Hang SA

**MADAGASCAR**
452 Bank of Africa - Madagascar
453 Banque Centrale De Madagascar

**MALAWI**
454 National Bank of Malawi

**MALAYSIA**
455 Alliance Bank Malaysia, Berhad
456 Ambank Berhad (Formerly Arab-Malaysian Bank - Berhad)
457 Bank Islam Malaysia Berhad
458 CIMB Bank Berhad (Formerly Bumiputra Commerce Bank Berhad)
459 Eon Bank Berhad
460 Malayan Banking Berhad (Maybank)
461 OCBC (Malaysia) Berhad
462 Oversea - Chinese Banking Corporation (Kuala Lumpur)
463 Public Bank Berhad
464 RHB Bank Berhad
465 Royal Bank of Scotland
466 United Overseas Bank (Malaysia) Berhad

**MALDIVES**
467 Bank of Maldives PLC
468 Habib Bank Limited

**MALTA**
469 Bank of Valleta
470 FIM Bank PLC Limited
471 HSBC Bank Malta PLC

**MAURITIUS**
472 State Bank of Mauritius Limited
473 The Mauritius Commercial Bank Limited

**MEXICO**
474 Banco Nacional De Mexico SA
475 Banco Santander Mexicano SPA
476 BBVA Bancomer SA
477 HSBC Mexico SA

**MONGOLIA**
478 Trade & Development Bank of Mongolia

**MOROCCO**
479 Credit Du Marco SA

**MOZAMBIQUE**
480 Banco International De Mocambique S A R L

**NAMIBIA**
481 Bank Windhoek Limited

**NEPAL**
482 Himalanyan Bank Limited
483 Nepal Bank Limited
484 Nepal Credit & Commerce Bank
485 Standard Chartered Bank Nepal Limited

**NETHERLANDS**
486 Abn Ambro Bank
487 F Van Lanschot Bankiers NV
488 Hollandsche Bank - Unie NV
489 ING Bank NV
490 Rabobank Nederland
491 SNS Bank NV
492 The Economy Bank NV

**NEW ZEALAND**
493 ANZ Bank National Bank Limited
494 ASB International Bank
495 Bank of New Zealand
496 Westpec Banking Corporation

**NIGERIA**
497 First Bank of Nigeria PLC
498 Union Bank of Nigeria PLC

**NORWAY**
499 DNB Nor Bank ASA (Formerly Den Norske Bank NA)
500 Nordea Bank Norge AS
501 Sparebanken Hedmark
502 Sparebanken More
503 Sparebanken Nord Norge

**OMAN**
504 Bank Dhofar SAOG
505 Bankmuscat SAOG
506 Bank Sohar SAOG
507 National Bank of Oman SAOG
508 Oman Arab Bank SAOC
509 Oman International Bank

**PAKISTAN**
510 Allied Bank of Pakistan
511 Askaribank Limited (Formerly Askari Commercial Bank Limited)
512 Atlas Bank
513 Bank Al Habib Limited
514 Bank Khyber
515 Bank of Panjab
516 Dawood Islamic Bank Limited
517 Faysal Bank Limited
518 Habib Bank Limited
519 Habib Metropolitian Bank Limited
520 KASB Bank
521 MCB Bank Limited (Formerly Muslim Commercial Bank)
522 Meezan Bank Limited
523 Mybank Limited
524 National Bank of Pakistan
525 Soneri Bank Limited
526 Standared Chartered Bank (Pakistan) Limited
527 United Bank Limited

**PALESTINIAN AUTONOMOUS**
528 Arab Islamic Bank

**PAPUA NEW GUINEA**
529 Westpac Bank PNG Limited

**PARAGUA**
530 Banco Amambay SA

**PERU**
531 Banco De Credito Del Peru

**PHILIPPINES**
532 Metropolitian Bank & Trust Company
533 Philippine National Bank

**POLAND**
534 Bank BGZ
535 Bank Gospodarstwa Krajowego
536 Bank Handlowy Warszawa SA
537 Bank Millennium SA
538 KREDYT Bank SA
539 Raiffeisen Bank Polska SA

**PORTUGAL**
540 Banco BPI SA
541 Banco Espirito Santo SA
542 BNP - Banco Portugues De Negocios SA
543 Finibanco SA
544 Millennium BCP (Formerly Banco Commercial Portugues SA)

**QATAR**
545 Barwa Bank
546 Doha Bank
547 Qatar International Islamic Bank
548 Qatar Islamic Bank SAQ

**ROMANIA**
549 Banca Comerciala Carpatica
550 Banca Commerciala Romana SA
551 Banca Transilvania
552 BRD - Groupe Societe Generale SA
553 Unicredit Tiriac Bank

**RUSSIA**
554 Bank For Development & Foreign Economic Affairs (Formerly Bank for Foreign Economic Affairs of the USSR)
555 Bank Jugra
556 Bank of Moscow
557 BIN Bank
558 International Moscow Bank
559 JSC VTB Bank (Formerly Bank for Foreign Trade (Vneshtorgbank)
560 M D M Bank
561 Nomos-Bank (Novaya Moskva)
562 ROS Bank
563 SBERBANK
564 Trans Credit Bank
565 Vnesheconombank

**SAUDI ARABIA**
566 Al Rajhi Bank (Formerly Al Rajhi Banking & Investment Corporation)
567 Arab National Bank
568 Bank Al Bilad
569 Bank Al Jazira
570 Banque Saudi Fransi
571 National Commercial Bank Limited
572 Riyad Bank
573 Samba Financial Group
574 Saudi British Bank
575 Saudi Hollandi Bank

**SCOTLAND**
576 Royal Bank of Scotland

**SERBIA**
577 Banca Intesa AD Beograd

**SERBIA & MONTENEGRO**
578 National Bank of Serbia

# Banks by Country

**SEYCHELLES**
579 Seychelles International Mercantile Banking (NOUVOBNQ)

**SINGAPORE**
580 Bank of India (Singapore)
581 DBS Bank Limited
582 Dexia Banque Internationale A Luxembourge
583 Far Eastern Bank Limited
584 Indian Bank
585 Oversea - Chinese Banking Corporation Limited
586 Skandinaviska Enskilda Banken AB
587 Standard Chartered Bank
588 The Bank of East Asia Limited
589 UCO Bank
590 Union De Banques Arabes ET Francaises (UBAF)
591 United Overseas Bank Limited
592 VTB Bank Europe PLC (Formerly Moscow Narodny Bank Limited)

**SINGAPORE / MALAYSIA**
593 ABN Amro

**SLOVAKIA**
594 Ceskoslovenska Obchodni Banka AS
595 Postova Bank AS
596 Slovenska Sporitelna AS
597 Tarta Bank AS
598 Unicredit Bank Slovakia AS
599 Vseobecna Uverova Bank AS

**SLOVENIA**
600 Abanka Vipa DD
601 Gorenjska Banka
602 Nova Kreditna Banka Maribor DD
603 Nova Ljubljanska Banka DD Ljubljana

**SOLOMON ISLANDS**
604 National Bank of Solomon Islands

**SOMALIA**
605 Commercial & Savings Bank of Somalia

**SOUTH AFRICA**
606 ABSA Bank Limited
607 Firstrand Bank Limited
608 Nedcor Bank Limited (NED Bank)
609 Standard Bank of South Africa Limited
610 The Standard Chartered Bank of South Africa, Johannesburg

**SPAIN**
611 Banco Bilbao Vizcaya Argentaria
612 Banco De Europa SA
613 Banco De Sabadell SA
614 Banco De Valencia
615 Banco Guipuzcoano SA
616 Banco Intercontinential Espanol (Bankinter)
617 Banco Pastor SA
618 Banco Santander Central Hispano
619 Caixa'd Estalvis De Catalunya
620 Caja De Ahorrosy Pensiones De Barcelona La Caixa
621 Caja Madrid

**SUDAN**
622 Bank Khartoum
623 National Bank of Sudan

**SWEDEN**
624 Nordbanken AB (Publ)
625 SEB Merchant Banking
626 Skandinaviska Enskilda Banken AB (Publ)
627 Svenska Handelsbanken AG (Publ)
628 Swed Bank

**SWITZERLAND**
629 Banque Cantonale De Geneve
630 Banque Cantonale Vandoise
631 Banque De Commerce Et De Placements
632 BNP Paribas (Suisse) SA
633 BSI SA
634 Credit Agricole (Sussie) SA
635 Credit Sussie
636 Faisal Private Bank (Switzerland) SA
637 Habib Bank AG Zurich
638 Luzerner Kantonal Bank
639 UBS AG (Union Bank of Switzerland)
640 Zurcher Kantonalbank

**TAIWAN**
641 Bank of Taiwan
642 China Trust Commercial Bank
643 Chinfon Commercial Bank
644 E-Sun Commercial Bank Limited
645 First Commercial Bank
646 Hua Nan Commercial Bank
647 Mega International Commercial Bank
648 Shanghi Commercial & Savings Bank Limited
649 Shin Kong Bank
650 Taipei Fubon Commercial Bank
651 Taiwan Cooperative Bank
652 Union Bank of Taiwan

**TANZANIA**
653 NBC Limited (National Bank of Commerce)

**THAILAND**
654 Bangkok Bank Public Company Limited
655 Bank of Ayudhya Public Company Limited
656 Export Import Bank of Thailand
657 Kasikornabank Public Company Limited (Formerly Thai Farmers Bank)
658 Krung Thai Bank Public Company Limited
659 Siam City Bank Public Company Limited
660 Siam Commercial Bank PCL
661 Standard Chartered Bank (Thai) Public Company Limited
662 United Overseas Bank (Thai) Public Company Limited

**TUNISIA**
663 Attijari Bank
664 Banque Nationale Agricole
665 Societe Tunisienne De Banque

**TURKEY**
666 AK Bank TAS
667 Anadolu Bank
668 Arab Turkish Bank
669 Asya Katilim Bankasi AS (Formerly Asya Finans Kurumu AS)
670 Euro Tekfen AS
671 Kocbank AS (Merged Into Yapi Ve Kredi Bankasi)
672 Kuvoyt Turk Katilim Bankasi AS
673 Oyak Bank AS (ING Bank AS) Name Changed On 07.07.2007
674 Tekstil Bankasi AS
675 Turk Economi Bankasi
676 Turkiye Finance Katilinu Bankasi AS
677 Turkiye Garanti Bankasi AS
678 Turkiye Halk Bankasi AS
679 Turkiye Is Bankasi AS
680 Turkiye Vakiflar Bankasi TAO
681 Turkland Bank - T Bank
682 Yapi Ve Kredi Bankasi AS

**UNITED ARAB EMIRATES**
683 Abu Dhabi Commercial Bank
684 Abu Dhabi Islamic Bank
685 Arab Bank for Investment & Foreign Trade
686 Commercial Bank International PLC
687 Commercial Bank of Dubai PSC
688 Dubai Islamic Bank PLC
689 Emirates NBD PJSC
690 First Gulf Bank
691 Mashreqbank PSC
692 Middle East Bank PJSC
693 National Bank of Abu Dhabi
694 National Bank of Fujirah
695 Noor Islamic Bank
696 Union National Bank
697 United Arab Bank

**UGANDA**
698 Barclays Bank Uganda Limited

**UNITED KINGDOM**
699 AIB Group (Formerly Allied Irish Bank)
700 Barclays Bank PLC
701 Clydesdale Bank PLC
702 Gulf International Bank (UK) Limited
703 Habib Bank AG Zurich
704 Habibsons Bank Limited
705 HSBC Bank PLC
706 Investec Bank (UK) Limited
707 Lloyds TSB Bank PLC
708 National Westminster Bank PLC
709 Royal Bank of Scotland PLC
710 Standard Bank PLC
711 Standard Chartered Bank

**UKRAINE**

712 Calyon Bank
713 First Ukraininan International Bank-PJSC
714 OTP Bank - Public Joint Stock Company
715 PJSC "Alfa - Bank"
716 Prominvest Bank
717 Ukreximbank (State Export-Import Bank of Ukrain)

**URUGUAY**

718 The Banco De La Republic Oriental Del Uruguay

**UNITED STATES OF AMERICA**

719 American Express Bank Limited
720 Banco Del Pichincha CA
721 Bank of America NA
722 Bank of Tampa
723 Branch Banking & Trust Company
724 Brown Brothers Harriman & Company
725 Citibank NA
726 Cobank ACB
727 Commerce Bank NA
728 Deutsche Bank Trust Company Americas
729 First Hawiian Bank
730 French American Banking Corporation
731 Habib American Bank
732 Hibernia National Bank
733 HSBC Bank USA
734 Huntington National Bank
735 Israel Discount Bank of New York
736 JP Morgan Chase Bank
737 La Salle Bank Midwest
738 M & T Bank (Formerly Allfirst Bank)
739 National City Bank of Indiana
740 National Penn Bank
741 Northern Trust Company
742 PNC Bank NA
743 San Diego National Bank
744 Silicon Valley Bank
745 Sovereign Bank
746 Standard Chartered Bank
747 State Street Bank & Trust Co
748 Sun Trust Bank Limited
749 The Bank of Newyork Mellon (Bank of New York Merged with Mellon Bank 21.07.08)
750 Umb Bank NA
751 Union Bank of California NA
752 US Bank NA
753 Wells Fargo Bank NA (Wachovia Bank NA Merged with Wells Fargo)

**VIETNAM**

754 Bank for Foreign Trade of Vietnam
755 Bank for Investment & Development of Vietnam

**YEMEN**

756 International Bank of Yemen YSC
757 National Bank of Yemen
758 Yemen Bank for Reconstruction & Development
759 Yemen Commercial Bank
760 Yemen Kuwait Bank

**ZAMBIA**

761 Barclays Bank of Zambia Limited

**ZIMBABWE**

762 Barclays Bank of Zimbabwe Limited

# Exchange Companies by Country

**AUSTRALIA**
1 Ceylon Exchange (Pty) Limited
2 Kapruka (Pty) Limited
3 Serendib Financial Services
4 Serendib (Pty) Limited Rs. A/C NZ

**BAHRIAN**
5 Bahrain Financing Company
6 Bex Money - Bahrain Express Exchange (Formerly Bahrain Express Exchange)
7 Dalil Exchange
8 Ezremit Limited
9 National Finance & Exchange Company WLL
10 Zenj Exchange
11 Zenj Exchange Company WLL (Turbo Cash)

**CANADA**
12 Delma Exchange Canada

**CYPRUS**
13 Masari Payment Services Limited

**GREECE**
14 International Express Remittance International Money Transfer Mediation Company

**HONG KONG**
15 Lotus Forex Limited

**ISRAEL**
16 Tifco Logistics & Trade Limited

**ITALY**
17 Valutrans SPA

**JAPAN**
18 Japan Remit Finance Company Limited
19 Unidos Company Limited (Kyodai Remittance)

**JORDAN**
20 Al Samhouri Exchange Company
21 Alawaneh Exchange Company
22 Shift Financial Services Limited

**KUWAIT**
23 Al Mulla International Exchange Company WLL
24 Al Muzaini Exchange Company KSC (Closed)
25 Bahrain Exchange Company WLL
26 Citiy International Exchange Company WLL
27 Dollarco Exchange Company Limited
28 Etemadco Exchange Company WLL
29 International Financial Line Company
30 Kuwait Asian International Exchange Company WLL
31 Kuwait Bahrain International Exchange Company
32 Kuwait India International Exchange Company
33 National Exchange Company WLL
34 National Money Exchange Company WLL
35 Oman Exchange Company Limited
36 Security Exchange Company WLL
37 UAE Exchange Centre WLL

**LEBANON**
38 Services Exchange Company (Imad Al Hariri Trading Company & Partners - SECO)

**MALAYSIA**
39 Merchantrade Asia SDN BHD

**OMAN**
40 Asia Express Exchange
41 Gulf Overseas Exchange Company LLC
42 Hamdan Exchange
43 Majan Exchange LLC
44 Modern Exchange Company LLC
45 Musandam Exchange
46 Mustafa Sultan Exchange Company LLC
47 Oman & UAE Exchange Centre Company LLC
48 Oman International Exchange LLC
49 Oman United Exchange Company LLC
50 Purshottam Kanji Exchange Company LLC

**QATAR**
51 Al Dar for Exchange Works
52 Al Fardan Exchange Company WLL
53 Al Sadd Exchange
54 Al Zaman Exchange WLL
55 Arabian Exchange Company WLL
56 City Exchange Company WLL
57 Eastern Exchange EST
58 Gulf Exchange Company
59 Habib Qatar International Exchange Limited
60 Islamic Exchange
61 National Exchange Company WLL (Formerly Al Shaibei Exchange Company)
62 Trust Exchange Company Limited
63 Union Exchange (Al Mirqab Exchange Company)

**SINGAPORE**
64 HBZ International Exchange Company (Singapore) Pvt Limited
65 Mustafa Foreign Exchange

**SWITZERLAND**
66 Motherhouse GMBH

**UNITED ARAB EMIRATES**
67 Al Ahalia Money Exchange Bureau
68 Al Ansari Exchange EST
69 Al Fardan Exchange
70 Al Mona Exchange Company LLC
71 Al Razouki International Exchange Company LLC
72 Al Rostamani International Exchange (Formerly Thomas Cook Al Rostamani Exchange Company)
73 Alukkas Exchange
74 Asia Exchange Centre
75 Delma Exchange
76 Dubai Exchange Centre LLC
77 Emirates India International Exchange Company
78 Habib Exchange Company LLC
79 Hadi Express Exchange
80 Lari Exchange Establishment
81 Lulu International Exchange LLC
82 National Exchange Company
83 Orient Exchange Company LLC
84 Redha Al-Ansari Exchange EST
85 UAE Exchange Centre
86 Wall Street Exchange Centre
87 Xpress Money Services Limited
88 Zareen Exchange

**UNITED KINGDOM**
89 3R Telecom Limited
90 An Express Limited
91 Sigue Global Services Limited (Former Coinstar)
92 Currency Exchange Corporation (Fast Cash)
93 Global Exchange Limited
94 Intl Global Currencies Limited

**UNITED STATES OF AMERICA**
95 Moneygram
96 Prabhu Group Inc
97 Trans-Fast Remittance LLC

# Glossary of Financial/Banking Terms

## A

**ACCOMMODATION**
Credit exposure including On & Off-Balance Sheet commitments and investment exposure including all financial investments except for investments in equity (ie.ordinary shares).

**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 & LOSSES**
Actuarial gains and losses comprise the effects of differences between the previous actuarial assumptions and what has actually occurred and the effects of changes in actuarial assumptions.

**ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS**
The present value of the expected payments by a retirement benefit plan to existing and past employees, attributable to the service already rendered.

**ACTUARIAL VALUATION**
Fund value determined by computing its normal cost, actuarial accrued liability, actuarial value of its assets, and other relevant costs and values.

**AMORTISATION**
The systematic allocation of the depreciable amount of an asset over its useful life. In the case of an intangible asset or goodwill, the term 'amortisation' is generally used instead of 'depreciation'. Both terms have the same meaning.

**AMORTISED COST**
The amount at which a financial asset or liability is measured at initial recognition, minus any repayment of principal, minus any reduction for impairment or uncollectibility, and plus or minus the cumulative ammortisation using the effective interest method of the difference between that initial amount and maturity amount.

**ANTI-MONEY LAUNDERING (AML)**
A set of procedures, laws or regulations designed to prevent money laundering. Money laundering is an activity which aims to disguise the ownership of money that has an illegal origin such as trading of drugs, organised crimes, fraud and terrorism.

**ASSOCIATE COMPANY**
A company other than a Subsidiary in which a holding company has a participating interest and exercises a significant influence over its operating and financial policies.

**ATTRITION RATE**
A measure of how many employees leave over a certain period of time.

## B

**BASIS POINTS**
One-hundredth of one percentage point. Often used in quotations of spreads between interest rates or to change in yield in securities.

**BILLS OF EXCHANGE**
A signed, written unconditional order addressed by one person (the drawer) directing another person (the drawee) to pay a specified sum of money to the order of a third person (the payee). The terms bills of exchange and drafts are often used interchangeably.

**BORROWING COSTS**
Interest and other costs incurred by an entity in connection with the borrowing of funds.

## C

**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 RESERVES**
Capital reserves consist of revaluation reserves arising from revaluation of properties owned by the Bank and permanent 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.

**COLLECTIVELY ASSESSED LOAN IMPAIRMENT PROVISIONS**
Impairment assessment which carried out on a collective basis for homogeneous groups of loans that are not considered individually significant, in order to cover losses that has been incurred but has not yet been identified at the reporting date.

**COMPOUND ANNUAL GROWTH RATE (CAGR)**
The year-over-year growth rate over a specified period of time.

**CONSOLIDATED FINANCIAL STATEMENTS**
The Financial Statements of the Group presented as those of a single entity.

**CONTINGENCIES**
A condition or situation, the ultimate outcome of which, gain or loss, will be confirmed only on the occurrence or non-occurrence of one or more uncertain future events.

**CONTRACTUAL MATURITY**
Contractual maturity refers to the final payment date of a loan or other financial instrument, at which

# Glossary of Financial/Banking Terms

point all the remaining outstanding principal will be repaid and interest is due to be paid.

**CORPORATE GOVERNANCE**
The relationship among stakeholders used to determine and control the strategic directions and performance of an organisation.

**COST/INCOME RATIO**
Operating expenses compared to net income.

**COUNTRY RISK**
The credit risk associated with lending to borrowers within a particular country, sometimes taken to include sovereign risk.

**CREDIT RISK**
The risk of loss due to non-payment of a loan or other line of credit (either the principal or interest or both), by the borrower or a counter party.

**CREDIT RATINGS**
An evaluation of a corporate's ability to repay its obligations or the likelihood of not defaulting, carried out by an independent rating agency.

## D

**DEALING SECURITIES**
Securities acquired and held with the intention of reselling them in the short-term.

**DEBT EQUITY RATIO**
Long-term borrowings (refinance borrowings + debentures) divided by shareholder's equity.

**DEFERRED TAXATION**
Sum set aside for tax in the Financial Statements that will become payable/receivable in a financial year other than the current financial year.

**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.

**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.

**DOCUMENTARY LETTERS OF CREDIT (L/Cs)**
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.

## E

**EARNINGS PER SHARE (EPS)**
Net profits earned during a period attributable to ordinary shareholders of a company divided by weighted average number of shares in issue during that period.

**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.

**EFFECTIVE ANNUAL RATE**
Return as a percentage of market value of the investment.

**EXCHANGE COMPANY/HOUSE**
An overseas location where the Bank's representatives provide banking services as a promotional tool.

## F

**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.

**FINANCIAL ASSET OR FINANCIAL LIABILITY AT FAIR VALUE THROUGH PROFIT OR LOSS**
Financial asset or financial liability that is held for trading or upon initial recognition designated by the entity as 'at fair value through profit or loss

**FINANCIAL INVESTMENTS AVAILABLE FOR SALE**
Available for sale financial assets are those non derivative financial assets that are designated as available for sale or are not classified as loans and receivables, held to maturity or financial assets at fair value through profit or loss.

**FINANCIAL INVESTMENTS HELD TO MATURITY**
Held to maturity financial investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity.

**FORECLOSED PROPERTIES**
Properties acquired in full or partial settlement of debts, which will be held with the intention of re-sale 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 CONTRACTS**
Agreements between two parties to exchange one currency for another at a future date at a rate agreed upon today.

# G

**GROSS DOMESTIC PRODUCT (GDP)**
The value of all goods and services produced domestically in an economy during a specified period, usually a year. Nominal GDP, adjusted for inflation, gives GDP in real terms.

**GROSS-UP**
Payments made in full amount, free of any deductions or withholdings and without exercising any right of set-off.

**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.

# H

**HISTORICAL COST CONVENTION**
Recording transactions at the actual value received or paid.

# I

**IMPAIRMENT**
This occurs when recoverable amount declines below carrying amount.

**INDIVIDUALLY SIGNIFICANT LOAN IMPAIRMENT PROVISIONS**
Impairment measured individually for loans that are individually significant to the Group.

**INTANGIBLE ASSET**
An identifiable non-monetary asset without physical substance held for use in the production or supply of goods or services, for rental to others, or for administrative purposes.

**INTEREST IN SUSPENSE**
The interest due on non performing assets.

**INTEREST MARGIN**
Net interest income as a percentage of average interest earning assets.

**INTEREST SPREAD**
Represents the difference between the average interest rate earned on interest earning assets and the average interest rate incurred on interest bearing liabilities.

**INVESTMENT PROPERTIES**
Property that is held to earn rentals or for capital appreciation or both and not for sale or use in the ordinary course of business.

**INVESTMENT SECURITIES**
Securities acquired and held for yield or capital growth purposes and usually held to maturity.

# K

**KEY MANAGEMENT PERSONNEL**
Those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly.

**KEY PERFORMANCE INDICATORS (KPI)**
KPIs are quantifiable measurements, agreed before hand that reflects the critical success factors of a company.

# L

**LIQUID ASSETS**
Assets that are held in cash or in a form that can be converted to cash readily, such as deposits with other banks, Bills of Exchange, Treasury Bills.

**LIQUID ASSETS RATIO**
Liquid assets expressed as a percentage of total liabilities other than shareholders' funds.

**LOSS GIVEN DEFAULT (LGD)**
LGD is the percentage of an exposure that a lender expects to lose in the event of default.

# M

**MARK TO MARKET**
The practice of periodically revaluing marketable securities to their current market value.

**MARKET RISK**
The risk that the value of an investment will change due to changes 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.

# N

**NET ASSET VALUE PER SHARE**
Shareholders' funds divided by the number of ordinary shares in issue.

**NET INTEREST INCOME**
The difference between what the 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 (NPA)**
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.

**NPA RATIO**
Total non-performing advances (net of interest in suspense) divided by total advances portfolio (net of interest in suspense).

**NOSTRO ACCOUNT**
A foreign currency current account maintained with another bank, usually but not necessarily a foreign correspondent bank. At the other bank, the deposit is called a nostro account.

# Glossary of Financial/Banking Terms

## O

**OFF-BALANCE SHEET TRANSACTIONS**
Transactions not recognised as assets or liabilities in the Balance Sheet but which give rise to contingencies and commitments.

**OPERATING ACTIVITIES**
The principal revenue-producing activities of an entity and other activities that are not investing or financing activities.

**OPERATIONAL RISK**
The risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events.

## P

**PARENT COMPANY**
A parent company is an entity that has one or more Subsidiaries.

**PLAN ASSETS (OF AN EMPLOYEE BENEFIT PLAN)**
Assets held by a long-term employee benefit fund.

**PRIMARY DEALER SPECIAL RISK RESERVE**
Reserve maintained in order to strengthen capital base further with development of capital market.

**PROBABILITY OF DEFAULT (PD)**
PD is an internal estimation for each homogeneous groups of loans on the likelihood that loans in a particular homogeneous group being default.

**PROJECTED UNIT CREDIT METHOD**
An actuarial valuation method that sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

**PROPERTY, PLANT & 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.

**PRUDENCE**
Inclusion of a degree of caution in the exercise of judgment needed in making the estimates required under conditions of uncertainty such that assets or income are not overstated and liabilities or expenses are not understated.

## R

**REDEMPTION**
Repayment of principal monies.

**REINSURANCE**
Transfer of all or part of the risk assumed by a primary insurer under one or more insurance to another insurer.

**RELATED PARTIES**
Two parties where one controls the other or exercise significant influence in financial and operating decisions, directly or indirectly.

**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 (ROAA)**
Profit before tax expressed as a percentage of average total assets. Used along with ROAE, as a measure of profitability and as a basis of intra-industry performance comparison.

**RETURN ON AVERAGE EQUITY (ROAE)**
Profit after tax less preference share dividends, if any, expressed as a percentage of average ordinary shareholders' equity.

**REVENUE RESERVES**
Reserves set aside for future distribution and investment.

**REVERSE REPOs**
The purchase of 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.

## S

**SEGMENT REPORTING**
Segment reporting indicates the contribution to the revenue derived from business segments such as retail banking, corporate banking, international, treasury & investment, Government and group functions.

**SHAREHOLDERS' EQUITY**
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 investee but is not controlled or jointly controlled over those policies.

**SOLVENCY**
The availability of cash over the long term to meet financial commitments as they fall due.

**SUBORDINATED DEBENTURE**
The claims of the debenture holders shall in the event of winding up, rank after all the claims of the secured and unsecured creditors and any preferential claims under any statutes, but in priority to and over claims and rights of the shareholders.

**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.

**SWAPS**
The simultaneous purchase and sale of foreign exchange or securities, with the purchase executed at once and the sale back to the same party. Carried out on an agreed-upon price to be completed at a specified future date. Swaps include interest rate swaps, currency swaps and credit swaps.

**SYNDICATED LOAN**
A large loan by a group of banks to a large multinational firm or Government. Syndicated loans allow the participatng banks to maintain diversification by not lending too much to a single borrower.

# T

**TIER I CAPITAL**
Consists of the sum total of paid-up ordinary shares, non-cumulative,
non-redeemable preference shares, share premium, statutory reserve fund, published retained profits, general and other reserves, less goodwill.

**TIER II CAPITAL**
Consists of the sum total of revaluation reserves, general provisions, hybrid capital instruments and approved subordinated debentures.

**TOTAL CAPITAL**
The sum of Tier I and Tier II capital.

# U

**UNIT TRUST**
An undertaking formed to invest in securities under the terms of a trust deed.

**UNSECURED**
Repayment of the principal and interest not being secured by any specific asset.

# V

**VALUE 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.

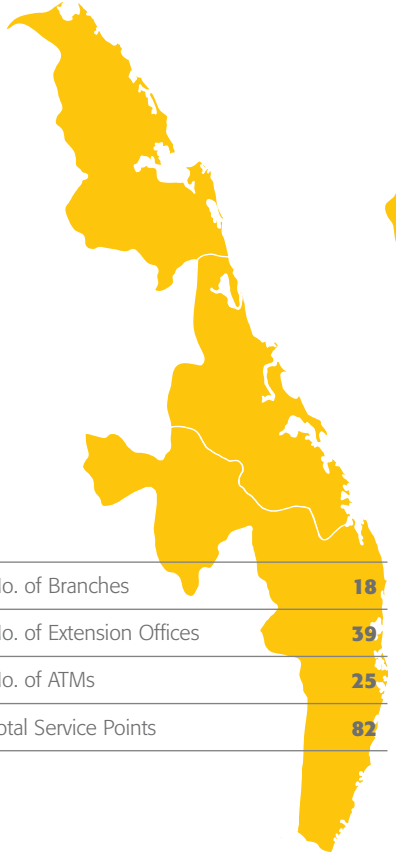
**VOSTRO ACCOUNT**
A local currency current account maintained with a bank by another bank (compare with nostro account).

# BoC
# Service Points

## Central Province

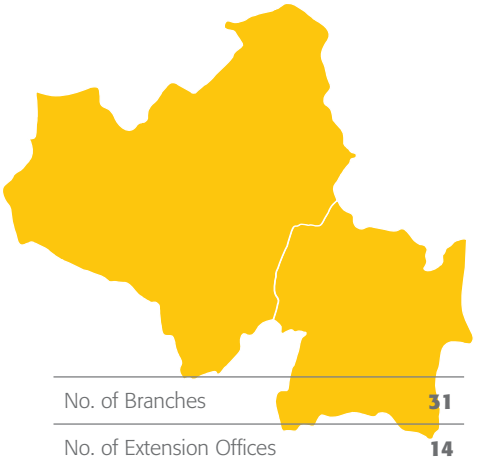
| | |
|---|---|
| No. of Branches | 34 |
| No. of Extension Offices | 33 |
| No. of ATMs | 43 |
| Total Service Points | 110 |

## Eastern Province



| | |
|---|---|
| No. of Branches | 18 |
| No. of Extension Offices | 39 |
| No. of ATMs | 25 |
| Total Service Points | 82 |

## North Central Province



| | |
|---|---|
| No. of Branches | 31 |
| No. of Extension Offices | 14 |
| No. of ATMs | 31 |
| Total Service Points | 76 |

## Northern Province

| | |
|---|---|
| No. of Branches | **22** |
| No. of Extension Offices | **45** |
| No. of ATMs | **28** |
| Total Service Points | **95** |

## North Western Province

| | |
|---|---|
| No. of Branches | **35** |
| No. of Extension Offices | **21** |
| No. of ATMs | **41** |
| Total Service Points | **97** |

## Sabaragamuwa Province

| | |
|---|---|
| No. of Branches | **25** |
| No. of Extension Offices | **23** |
| No. of ATMs | **30** |
| Total Service Points | **78** |

## Southern Province

| | |
|---|---|
| No. of Branches | **38** |
| No. of Extension Offices | **26** |
| No. of ATMs | **49** |
| Total Service Points | **113** |

## Uva Province

| | |
|---|---|
| No. of Branches | **26** |
| No. of Extension Offices | **12** |
| No. of ATMs | **22** |
| Total Service Points | **60** |

## Western Province - North

| | |
|---|---|
| No. of Branches | **43** |
| No. of Extension Offices | **23** |
| No. of ATMs | **77** |
| Total Service Points | **143** |

## Western Province - South

| | |
|---|---|
| No. of Branches | 43 |
| No. of Extension Offices | 27 |
| No. of ATMs | 88 |
| Total Service Points | 158 |

## Corporate Branches

| | |
|---|---|
| No. of Branches | 6 |
| No. of Extension Offices | 13 |
| No. of ATMs | 14 |
| Total Service Points | 33 |

## Premier Banking Center

| | |
|---|---|
| No. of Branches | 1 |
| No. of Extension Offices | 0 |
| No. of ATMs | 1 |
| Total Service Points | 2 |

## Overseas Branches

| | |
|---|---|
| No. of Branches | 2 |
| No. of Extension Offices | 0 |
| No. of ATMs | 2 |
| Total Service Points | 4 |

# CENTRAL PROVINCE

| Branch Code | Name of Branch | Telephone | E-Mail Address | Postal Address |
|---|---|---|---|---|
| 768 | Alawathugoda | 066-2242327 | boc768@boc.lk | 1496, Matale Road, Alawathugoda |
| 576 | Dambulla ▲ | 066-2285270 | boc576@boc.lk | 438/B Kandy Road, Dambulla |
| 273 | Digana ▲ | 081-2374376 | boc273@boc.lk | 2, New Town, Digana, Rajawella |
| 615 | Galagedara | 081-2461214 | boc615@boc.lk | 237, Rambukkana Road, Galagedara |
| 101 | Galaha | 081-2467213 | boc101@boc.lk | 59/37, Deltota Road, Galaha |
| 432 | Galewela ▲ | 066-2289262 | boc432@boc.lk | 168, Kurunegala - Dambulla Road, Galewela |
| 575 | Gampola ▲ | 081-2350108 | boc575@boc.lk | 79, Kadugannawa Road, Gampola |
| 524 | Gelioya ▲ | 081-2314777 | boc524@boc.lk | 430/B, Gampola Road, Karamada, Gelioya |
| 040 | Hatton | 051-2225015 | boc040@boc.lk | 46, Circular Road, Hatton |
| 633 | Kandapola | 052-2229636 | boc633@boc.lk | 31/1/1, 33, Main Street, Kandapola |
| 002 | Kandy ▲ | 081-2223697 | boc002@boc.lk | 88, Dalada Veediya, Kandy |
| 649 | Kandy 2nd City ▲ | 081-2234292 | boc649@boc.lk | 22, Dalada Veediya, Kandy |
| 666 | Katugastota | 081-2499398 | boc666@boc.lk | 161/A, Madawala Road, Katugastota |
| 581 | Madawala | 081-2470484 | boc581@boc.lk | 35 A2, Wattegama Road, Madawala |
| 506 | Maskeliya | 052-2277280 | boc506@boc.lk | 66, Upcot Road, Maskeliya |
| 068 | Matale ▲ | 066-2222262 | boc068@boc.lk | 5/2 , Trincomalee Street, Matale |
| 092 | Naula | 066-2246808 | boc092@boc.lk | 168, Matale Road, Naula |
| 598 | Nawalapitiya ■ | 054-2222233 | boc598@boc.lk | 106, Gampola Road, Nawalapitiya |
| 029 | Nuwara Eliya ■ | 052-2224047 | boc029@boc.lk | 43, Lawson Street, Nuwara Eliya |
| 492 | Padiyapelella | 052-3536628 | boc492@boc.lk | 35, 35 1/1, Ragala Road, Padiyapelella |
| 640 | Pallepola | 066-2247272 | boc640@boc.lk | 19, 19/1, Akuramboda Road, Pallepola |
| 588 | Peradeniya | 081-2388314 | boc588@boc.lk | 1151, Sirimavo Bandaranayake Mawatha, Peradeniya |
| 587 | Pilimatalawa ▲ | 081-3753517 | boc587@boc.lk | 246/2, Colombo Road, Pilimatalawa |
| 425 | Pundaluoya | 051-2233205 | boc425@boc.lk | 45, Upper Bazaar, Pundaluoya |
| 337 | Pussellawa | 081-2478642 | boc337@boc.lk | 437,439, Nuwara Eliya Road, Pussellawa |
| 639 | Rattota | 066-2255280 | boc639@boc.lk | 72, Main Street, Rattota |
| 167 | Rikillagaskada | 081-2365314 | boc167@boc.lk | 3, Dimbulkumbura Road, Rikillagaskada |
| 650 | Talatuoya | 081-2404334 | boc650@boc.lk | 2 B, Kandy Road, Talatuoya |
| 531 | Talawakelle ■ | 052-2258892 | boc531@boc.lk | 29, Hatton Road, Talawakele |
| 781 | Teldeniya | 081-2376820 | boc781@boc.lk | 17/2, Wilamuna Building, Circular Road, Karalliyadde,Teldeniya |
| 606 | Udadumbara | 081-2402317 | boc606@boc.lk | 44, 46, Mahiyangana Road, Udadumbara |
| 743 | Walapane | 052-2279180 | boc743@boc.lk | Ratnayake Building, Walapane |
| 340 | Wattegama | 081-2475838 | boc340@boc.lk | 4/110, Kandy Road, Wattegama |
| 144 | Yatawatta | 066-2221084 | boc144@boc.lk | 35A, Matalapitiya Road, Yelakkaraya, Yatawatte |

Holiday Banking Service
Saturday ▲ Sunday ■ Saturday & Sunday ◄ Night Banking ☼

BoC

# Service Points

## CENTRAL PROVINCE

| Extension Office | Telephone | Postal Address |
|---|---|---|
| Adikarigama | 081-3838538 | Raja Mawatha, Adikarigama |
| Agarapathana ■ | 051-2230133 | 23, Main Street, Agarapathana |
| Akurana | 081-2301477 | 197, Matale Road, Akurana |
| Ankumbura | 066-2240399 | 38/3, Alawathugoda Road, Ankumbura |
| Bogawanthalawa ■ | 052-2267599 | 30, Bridwell Bazaar, Bogawanthalawa |
| BOI Pallekele | 081-5672445 | Kandy Industrial Park, Pallekelle |
| Bokkawala | 081-2461056 | 135/1/B, Bokkawala |
| Danture | 081-2575228 | 572, Main Street, Danture |
| Daulagala | 081-2315171 | 1/1, Imbuldeniya, Handessa |
| Dedicated Economic Centre, Dambulla ☼ | 066-2285217 | Dedicated Economic Centre,Dambulla |
| Digana Village | 081-2375851 | Digana Village, Digana |
| Gampola City | 081-2354214 | 23 A, Nawalapitiya Road, Gampola |
| Ginigathhene | 051-2242310 | 29B, Colombo Road, Ginigathhene |
| Hatharaliyadda | 081-2464187 | 25, Kandy Road , Hatharaliyadde |
| Kandy City Center ◄ | 081-2205110 | Premises No 19, Level 1, Dalada Veediya , Kandy |
| Kandy District Secretariat Branch | 081-2224214 | Kandy District Secretariat Branch, Kandy |
| Kandy Court Complex | 081-2387490 | Kandy Court Complex, William Gopallawa Mawatha, Gatambe |
| Kandy Teaching Hospital | 081-2233335 | Kandy Teaching Hospital,Kandy |
| Kotagala ■ | 051-2244107 | 184 -186,Wooten Bazaar, Kotagala |
| Marassana | 081-2405105 | 29, Meeruppa, Marassana |
| Matale District Secretariat Branch | 066-2222024 | Matale District Secretariat Branch, Matale |
| Meepilimana | 052-2237410 | 67/68 A, Meepilimana, Nuwara Eliya |
| Menikhinna | 081- 2376911 | 19, Teldeniya Road , Menikhinna |
| Nuwara Eliya District Secretariat Branch | 052-2222770 | Nuwara Eliya District Secretariat Branch, Nuwara Eliya |
| Palapathwala | 066-2225505 | 409, Matale Road, Palapathwala |
| Peradeniya Botanical Garden | 081-2386463 | Peradeniya Botanical Garden |
| Poojapitiya | 081-2301718 | 15, Medawala Road, Poojapaitya |
| Ragala ■ | 052-2265660 | 1/19, Ragala, Halgranoya |
| Sigiriya | 066-2286270 | 1, Air Port Road, Kimbissa |
| Ukuwela | 066-2244676 | 154/3/1, Matale Road, Ukuwela |
| University of Peradeniya | 081-2392422 | University of Peradeniya, Peradeniya |
| Upcott | 051-2235095 | 77, Main Street, Upcott |
| Wilgamuwa | 066-2250002 | 80/2/1, Hettipola New Town , Wilgamuwa |

Holiday Banking Service
Saturday ▲ Sunday ■ Saturday & Sunday ◄ Night Banking ☼

| ATMs | No. |
|---|---|
| Alawathugoda Branch | 1 |
| Dambulla Branch | 1 |
| Dedicated Economic Centre, Dambulla | 1 |
| Digana Branch | 1 |
| Galagedara Branch | 1 |
| Galaha Branch | 1 |
| Galewela Branch | 1 |
| Gampola Branch | 1 |
| Gelioya Branch | 1 |
| Ginigathhena Extension Office | 1 |
| Hatton Branch | 1 |
| Kandy Branch | 4 |
| Kandy City Centre Extension Office | 1 |

| ATMs | No. |
|---|---|
| Kandy Teaching Hospital Extension Office | 1 |
| Kandy Second City Branch | 2 |
| Katugastota Branch | 1 |
| Madawala City Branch | 1 |
| Maskeliya Branch | 1 |
| Matale Branch | 2 |
| Menikhinna Branch | 1 |
| Naula Branch | 1 |
| Nawalapitiya Branch | 1 |
| Nuwara Eliya District Secretariat Branch | 1 |
| Nuwara Eliya Branch | 1 |
| Pallekelle Extension Office | 1 |
| Peradeniya Branch | 1 |

| ATMs | No. |
|---|---|
| Peradeniya Botanical Gardens Extension Office | 1 |
| Pilimatalawa Branch | 1 |
| Pussellewa Branch | 1 |
| University of Peradeniya Extension Office | 1 |
| Rikillagaskada Branch | 1 |
| Sigiriya Extension Office | 1 |
| Talawakelle Branch | 1 |
| Thalatuoya Branch | 1 |
| Theldeniya | 1 |
| Trendy Ware Adikarigama | 1 |
| Udadumbara Branch | 1 |
| Wattegama Branch | 1 |
| | 43 |

BoC
# Service Points

## EASTERN PROVINCE

| Branch Code | Name of Branch | Telephone | E-Mail Address | Postal Address |
|---|---|---|---|---|
| 590 | Akkaraipattu | 067-2277235 | boc590@boc.lk | Main Street,Akkaraipattu |
| 021 | Ampara | 063-2222981 | boc021@boc.lk | 115 A, D. S. Senanayaka Street, Ampara |
| 012 | Batticaloa | 065-2227410 | boc012@boc.lk | Govington Road, Batticaloa |
| 630 | Chenkalady | 065-2240492 | boc630@boc.lk | 397, Trinco Road, Chenkalady |
| 790 | Eravur ▲ | 065-2241012 | boc790@boc.lk | MPCS Building, Punnakudah Road, Eravur |
| 509 | Hingurana | 063-2240037 | boc509@boc.lk | Jeyalanka Building, Hingurana Junction, Hingurana |
| 510 | Kalmunai ▲ | 067-2229774 | boc510@boc.lk | 78, Kittangi Road, Kalmunai |
| 611 | Kaluwanchikudy | 065-2250012 | boc611@boc.lk | Main Street, Kaluwanchikudy |
| 623 | Kantale | 026-2234230 | boc623@boc.lk | Main Street, Kantale |
| 648 | Kattankudy | 065-2246613 | boc648@boc.lk | 40, Fowzy Mawatha, Kattankudy-1 |
| 735 | Kinniya | 026-2236270 | boc735@boc.lk | 27, Latheef Vidhanayar Road, Kinniya |
| 118 | Mutur | 026-2238327 | boc118@boc.lk | Main Street, Mutur |
| 591 | Nintavur ▲ | 067-3696117 | boc591@boc.lk | 75, Main Street, Nintavur |
| 318 | Pottuvil | 063-2248021 | boc318@boc.lk | Main Street, Pottuvil |
| 440 | Sammanthurai ▲ | 067-2260898 | boc440@boc.lk | 49/1 C , Ampara Road, Sammanthurai |
| 006 | Trincomalee | 026-2223084 | boc006@boc.lk | 24, Inner Harbour Road, Trincomalee |
| 624 | Trincomalee City ▲ | 026-2223880 | boc624@boc.lk | 9, Main Street, Trincomalee |
| 626 | Valachchenai | 065-2257007 | boc626@boc.lk | Main Street, Valachchenai |

Holiday Banking Service
Saturday ▲ Sunday ■ Saturday & Sunday ◄ Night Banking ☼

# EASTERN PROVINCE

| Extension Office | Telephone | Postal Address |
|---|---|---|
| Addalaichchenai ▲ | 067-2279303 | Main Street , Addalaichchenai |
| Alankerny | 026-3204994 | Ward No 1 , Alankerny, Kinniya |
| Ampara District Secretariat Branch | 063-2224150 | Ampara District Secretariat Branch, Ampara |
| Arayampathy | 065-2247939 | Co-operative Building, Kalmunai Road, Arayampathy |
| Batticaloa District Secretariat Branch | 065-2228688 | Batticaloa District Secretariat Branch, Batticaloa |
| Batticaloa Extension Office | 065-2227032 | 5, Station Road, Batticaloa |
| Chinabay (4th Mile Post ) | 026-2242327 | 61, Kinniya Road , 4th Mile Post, Chinabay |
| Eastern University | 065-2241528 | Vantharumulai, Batticaloa |
| Gonagolla | 063-3632943 | Kandy Road, Gonagolla |
| Irrakkamam | 063-2050155 | No.150, Ampara Road, Irrakkamam |
| Kallady | 065-2227972 | 180 D, New Kalmunai Road, Kallady |
| Kallar | 067-2225421 | Main Street, Periyakallar-1 |
| Karadiyanaru | 065-2241330 | 1, Badulla Road , Karadiyanaru |
| Karaitivu | 067-2225484 | 20, Main Street , Karitivu |
| Kiran | 065-3651142 | Main Street, Kiran |
| Kokkaddicholai | 065-2227916 | Main Street , Ward No 10, Kokkaddichcholai |
| Malwatta | 063-2051515 | Main street, Malwatta |
| Mamangam | 065-2227973 | 450 A, Bar Road, Mamangam, Batticaloa |
| Maruthamunai | 067-2220503 | Main Street, Batticaloa Road, Maruthamunai |
| Mollipothana | 026-2246220 | 96th Junction, Galmetiyawa South, Mollipothana |
| Morawewa | 026-2225825 | Pradesiya Sabha Building , Morawewa |
| Navithanveli | 067-2226140 | Manikkapillayar Kovil Road, Navithanvely -01 |
| Nilaveli | 026-2232290 | Ward No 2 , Main Street , Nilaveli |
| Oddamavadi | 065-2258111 | Main Street, Mawadichchenai, Oddamavadi |
| Oluvil | 067-2255397 | Light House Road, Oluvil - 3 |
| Palugamam | 065-2251622 | Main Street, Veeranchenai, Palugamam |
| Polwatta | 063-2242128 | 10, Polwaga Janapadaya, Polwatta , Ampara |
| Pulmoddai | 026-2256200 | Main Road, Ward No. 3, Pulmoddai |
| Sainthamarathu | 067-2220478 | 1115, Akkaraipattu Road, Sainthamarathu 09 |
| Serunuwara | 026-2251010 | Agrarian Service Building, Serunuwara |
| Thambiluvil ▲ | 067-2265309 | Main Street, Pottuvil Road, Thambiluvil 2 |
| Thampalakamam | 026-2248043 | New MPCS Building , Kandy Road, Thampalakamam |
| Thoppur | 026-2240989 | Main Road , Thoppur |
| Trincomalee District Secretariat Branch | 026-2242999 | Trincomalee District Secretariat Branch, Trincomalee |
| Uhana | 063-2250001 | Jayanthi Building, Kandy Road, Uhana |
| Uppuveli | 026-2226227 | Agrarian Service Center, Love Lane, Uppuveli |
| Vakarai | 065-2258181 | Trincomalee Road , Kandalady, Vakarai |
| Vavunativu | 065-3063522 | Central Market Building, Vavunativu |
| Vellavely | 065-2251113 | 100 B, Main Street, Vellavely |

BoC

# Service Points

| ATMs | No. |
|---|---|
| Akkaraipattu Branch | 1 |
| Ampara Branch | 1 |
| Batticaloa Branch | 1 |
| Batticaloa Extension Office | 1 |
| Chenkalady Branch | 1 |
| Eastern University Extension Office | 1 |
| Hingurana Branch | 1 |
| Kaluwanchikudy Branch | 1 |
| Kalmunai Branch | 1 |

| ATMs | No. |
|---|---|
| Kantale Branch | 1 |
| Kattankudy Branch | 1 |
| Kinniya Branch | 1 |
| Morawewa | 1 |
| Mutur Branch | 1 |
| Nintavur Branch | 1 |
| Sri Lanka Navy, Trincomalee | 1 |
| Pottuvil Branch | 1 |
| Pulmoddai | 1 |
| Sammanthurai Branch | 1 |

| ATMs | No. |
|---|---|
| Thampalakamam | 1 |
| Trincomalee Branch | 1 |
| Trincomalee City Branch | 1 |
| Trincomalee District Secretariat Branch | 1 |
| Sri Lanka Air Force China Bay - Trincomalee | 1 |
| Valachchenai Branch | 1 |
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# NORTH CENTRAL PROVINCE

| Branch Code | Name of Branch | Telephone | E-Mail Address | Postal Address |
|---|---|---|---|---|
| 022 | Anuradhapura ▲ | 025-4580974 | boc022@boc.lk | Maithripala Senanayake Mawatha, Anuradhapura |
| 551 | Anuradhapura City | 025-2225932 | boc551@boc.lk | Market Complex, Anuradhapura |
| 098 | Anuradhapura New Town ■ | 025-2223685 | boc098@boc.lk | New Town, Anuradhapura |
| 599 | Aralaganwila | 027-3279257 | boc599@boc.lk | Aralaganwila |
| 652 | Bakamoona | 066-2256680 | boc652@boc.lk | Lanka Banku Mawatha, Bakamoona |
| 686 | Dehiattakandiya | 027-2250287 | boc686@boc.lk | New Town, Dehiattakandiya |
| 692 | Eppawala | 025-2249180 | boc692@boc.lk | 68/5, Kanthi City Building, Eppawala |
| 122 | Galenbindunu-wewa | 025-2258280 | boc122@boc.lk | Denzil Kobbekaduwa Mawatha, Galenbindunuwewa |
| 653 | Galkiriyagama | 025-2052850 | boc653@boc.lk | New Town, Galkiriyagama |
| 514 | Galnewa | 025-3855484 | boc514@boc.lk | Thambuttegama Road, Galnewa |
| 601 | Hingurakgoda ■ | 027-2247642 | boc601@boc.lk | St. Micheal Bldg., Main Street, Hingurakgoda |
| 217 | Horowpothana | 025-2278416 | boc217@boc.lk | Anuradhapura Road, Horowpothana |
| 236 | Ipalogama | 025-2264279 | boc236@boc.lk | Kekirawa Road, Ipalogama |
| 600 | Jayanthipura | 027-2222266 | boc600@boc.lk | 22nd Mile Post, Jayanthipura |
| 502 | Kaduruwela ▲ | 027-2225025 | boc502@boc.lk | 626, Main Street, Kaduruwela |
| 622 | Kahatagasdigiliya | 025-2247480 | boc622@boc.lk | Trincomalee Road, Kahatagasdigiliya |
| 621 | Kebithigollawa ■ | 025-2298680 | boc621@boc.lk | Horowpothana Road, Kebithigollawa |
| 676 | Kekirawa ▲ | 025-2264162 | boc676@boc.lk | 3, Habarana Road, Kekirawa |
| 654 | Madatugama | 025-2264283 | boc654@boc.lk | Kekirawa - Dambulla Road, Madatugama |
| 162 | Medawachchiya | 025-2245683 | boc162@boc.lk | 36 , Jaffna Road, Medawachchiya |
| 641 | Medirigiriya | 027-2248337 | boc641@boc.lk | Medirigiriya |
| 728 | Meegalewa | 025-3855054 | boc728@boc.lk | Meegalewa |
| 335 | Mihintale | 025-2266503 | boc335@boc.lk | Trincomalee Road, Mihintale |
| 656 | Nochchiyagama | 025-2257880 | boc656@boc.lk | Main Street, Nochchiyagama |
| 127 | Padavi Parakramapura | 025-2254018 | boc127@boc.lk | Padavi Parakramapura |
| 152 | Pemaduwa | 025-2223307 | boc152@boc.lk | Mannar Road, Pemaduwa |
| 083 | Polonnaruwa New Town | 027-2223009 | boc083@boc.lk | 286, 266/1, New Town, Polonnaruwa |
| 782 | Rambewa | 025-2266555 | boc782@boc.lk | Jaffna Road, Rambewa |
| 183 | Sewagama | 027-2222585 | boc183@boc.lk | Nandana Building, Sewagama |
| 655 | Thambuttegama | 025-2276280 | boc655@boc.lk | Rajanganaya Road, Thambuttegama |
| 157 | Tirappane | 025-3853087 | boc157@boc.lk | Colombo - Anuradhapura Road, Tirappane |

Holiday Banking Service
Saturday ▲ Sunday ■ Saturday & Sunday ◄ Night Banking ☼

BoC

# Service Points

## NORTH CENTRAL PROVINCE

| Extension Office | Telephone | Postal Address |
|---|---|---|
| Anuradapura District Secretariat Branch | 025-2222142 | Anuradapura District Secretariat Branch, Anuradapura |
| Doramadalawa | 025-7200895 | Rajamaha Vihara Mawatha, Doramadalawa, Mihintale |
| Diyabeduma | 027-2050016 | Gamage Building, Katukeliyawa Road, Diyabeduma |
| Diyasenpura | 027-2248061 | Lakshan Tex, Ground Floor, Main Street, Diyasenpura |
| Galamuna | 027-2226650 | Galamuna, Pansalgodalla |
| General Hospital, Anuradhaura | 025-3778400 | General Hospital, Anuradhapura |
| Habarana | 066-2270048 | Trincomalee Road , Habarana |
| Minneriya | 027-2245333 | Polonnaruwa-Habarana Road, Minneriya |
| Padaviya | 025-2253011 | Bandaranayake Mawatha, Padaviya |
| Rajanganaya ■ | 025-2276558 | 5th Mile Post, Rajanganaya |
| Rajina Junction | 025-2275057 | 157, Rajina Junction, Thambuttegama |
| Ranajayapura | 025-2262003 | Ranajayapura , Ipalogama |
| Sevanapitiya | 027-2050280 | 63 , Sevanapitiya |
| Thalawa | 025-2275090 | Anuradhapura Road, Talawa |

| ATMs | No. |
|---|---|
| Sri Lanka Air Force, Hingurakgoda | 1 |
| Sri Lanka, Air Force, Anuradhapura | 1 |
| Anuradhapura Branch | 2 |
| Anuradhapura City Branch | 1 |
| Anuradhapura General Hospital Extension Office | 1 |
| Bakamoona Branch | 1 |
| Dehiattakandiya Branch | 1 |
| Doramadalawa Extension Office | 1 |
| Eppawala Branch | 1 |
| Galenbindunuwewa Branch | 1 |

| ATMs | No. |
|---|---|
| Galnewa Branch | 1 |
| Hingurakgoda Branch | 1 |
| Horowpothana Branch | 1 |
| Kaduruwela Branch | 2 |
| Kahatagasdigiliya Branch | 1 |
| Kebitigollewa Branch | 1 |
| Kekirawa Branch | 1 |
| Maliban Textiles (Pvt.)Ltd, Dehiattakandiya | 1 |
| Medawachchiya Branch | 1 |
| Medirigiriya Branch | 1 |

| ATMs | No. |
|---|---|
| Mihintale Branch | 1 |
| New Town Anuradhapura Branch | 1 |
| Nochchiyagama Branch | 1 |
| Padavi Parakramapura Branch | 1 |
| Polonnaruwa Hospital | 1 |
| Polonnaruwa New Town | 1 |
| Rajarata University | 1 |
| Ranajayapura Extension Office | 1 |
| Tambuttegama Branch | 1 |
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Holiday Banking Service
Saturday ▲ Sunday ■ Saturday & Sunday ◄ Night Banking ☼

# NORTHERN PROVINCE

| Branch Code | Name of Branch | Telephone | E-Mail Address | Postal Address |
|---|---|---|---|---|
| 778 | Atchuvely ▲ | 021-2058011 | boc778@boc.lk | Central College View, Rosa Veethy, Atchuvely |
| 792 | Chankanai ▲ | 021-2250015 | boc792@boc.lk | Karainagar Road, Chankanai, Chankanai |
| 501 | Chavakachcheri ▲ | 021-3214229 | boc501@boc.lk | VMK Building, Kandy Road, Chavakachcheri |
| 053 | Chunnakam ▲ | 021-2240269 | boc053@boc.lk | 146, KKS Road, Chunnakam |
| 005 | Jaffna ▲ | 021-2224018 | boc005@boc.lk | 476, 476A, Hospital Road, Jaffna |
| 500 | Jaffna 2nd ▲ | 021-2222598 | boc500@boc.lk | 56, Stanley Road, Jaffna |
| 605 | Kankasanthurai ▲ | 021-3212716 | boc605@boc.lk | 51, K.K.S Road, Kankasanthurai |
| 749 | Karainagar | 021-3212381 | boc749@boc.lk | Post Office View, Karainagar |
| 063 | Kayts ▲ | 021-3215215 | boc063@boc.lk | Vangalavadi Junction, Velanai |
| 093 | Kilinochchi ▲ | 021-2280002 | boc093@boc.lk | Karadipokku Junction, A9 Road, Kilinochchi |
| 787 | Kopay ▲ | 021-2230084 | boc787@boc.lk | Manipay Road, Kopay |
| 281 | Manipay ▲ | 021-2255177 | boc281@boc.lk | 174, Jaffna Road, Manipay |
| 574 | Mankulam | 021-2060009 | boc574@boc.lk | Main Road Mallawi, Mankulam |
| 046 | Mannar ▲ | 023-2222337 | boc046@boc.lk | 52, Pallimunai Road, Grand Bazaar, Mannar |
| 511 | Mullaitivu | 024-3245730 | boc511@boc.lk | Paranthan Road, Mullaitivu |
| 638 | Nelliady ▲ | 021-2264815 | boc638@boc.lk | Thikkam Road, Karaveddy, Nelliady |
| 028 | Point Pedro ▲ | 021-2263570 | boc028@boc.lk | 155/10, Main Street, Point Pedro |
| 761 | Thirunelvely ▲ | 021-2223948 | boc761@boc.lk | 531, Palaly Road, Thirunelvely |
| 794 | Urumpirai ▲ | 021-2230899 | boc794@boc.lk | 39/1, Palaly Veethy , Urumpirai |
| 791 | Valvettiturai ▲ | 021-2264883 | boc791@boc.lk | No D, Yarl Veethy, Valvettiturai |
| 044 | Vavuniya ▲ | 024-2222358 | boc044@boc.lk | 75, Station Road, Vavuniya |
| 793 | Vavuniya City | 024-2226631 | boc793@boc.lk | Bazaar Street, Vavuniya |

BoC

# Service Points

## NORTHERN PROVINCE

| Extension Office | Telephone | Postal Address |
|---|---|---|
| Alaveddy | 021-2059656 | Alaveddy Center, Alaveddy |
| Anandakulam Welfare Centre | 023-3233751 | Anandakulam , Adampan |
| Cheddikulam | 024-3248036 | Mannar Road ,Cheddikulam |
| Delft | 021-3205614 | Delft |
| Illavalai | 021-3202328 | Main Street, Illavalai |
| Jaffna Bus Stand | 021-2221010 | 400 , Hospital Road , Jaffna |
| Jaffna District Secretariat Branch | 021-2228808 | Jaffna District Secretariat Branch, Jaffna |
| Jaffna Main Street | 021-2224564 | St Martyn Bishops House, Main Street , Jaffna |
| Jaffna University | 021-2219570 | Students Complex,University of Jaffna,Thirunelvely |
| Kilinochchi District Secretariat Branch | 021-2285549 | Kilinochchi District Secretariat Branch, Kilinochchi |
| Kaithady | 021-2057121 | Kandy Road, Jaffna |
| Kalviyankadu | 021-2219571 | Point Pedro Road,Kalviyankadu |
| Karanavai | 021-2262597 | Kunchar Kadai Junction,Karanavai Centre,Karanavai |
| Kayts | 021-3214227 | Main Street, Kayts |
| Kodikamam | 021-3737070 | Kandy Road, Jaffna |
| Kokuvil ▲ | 021-3737765 | K.K.S Road , Kokuvil |
| Madhu | 023-2280079 | Periyapandivirichchan, Madhu |
| Mallawi | 024-3248038 | Main Street, Mallawi |
| Mannar District Secretariat Branch | 032-2222140 | Mannar District Secretariat Branch, Wanni |
| Manthikai | 021-2263354 | Maruthankerny Road, Manthikai Junction,Manthikai |
| Maruthankerny | 021-3214231 | Thalaiyady Road, Maruthankerny |
| Mulankavil | 024-3248039 | Nachchikuda Junction, Mulankavil |
| Mullaitivu District Secretariat Branch | 021-2290021 | Mullaitivu District Secretariat Branch, Mullaitivu |
| Mulliyawali | 021-2290002 | Ward No 3, Mullaitivu Mankulam Road, Mulliyawalai |
| Murunkan | 023-2050364 | Chilawatura Road, Murunkan |
| Nainativu | 021-3202107 | Thambalagamuwa, MPCS Building, Kandy Road,Pudukudiruppu, Thambalagamuwa |
| Nallur | 021-2219966 | No.590, Point Pedro Road, Nallur |
| Nanatan | 023-3233515 | Uyilankulam Road, Moddakkadai ,Nantan |
| Nedurukerny | 024-3245731 | APC Building, Nedurnkerny |
| Oddusuddan | 024-3248665 | Mankulam Road, Oddusuddan |
| Omanthai | 024-3248930 | A9 Road,Omanthai |
| Palai | 021-3202125 | A 9 Road, Pallai |
| Paranthan | 024-3248003 | A9 Road, Paranthan Junction, Paranthan |
| Pesalai | 023-2050010 | Church Road, Pesali |
| Poonagari | 021-3202303 | Vadiyady Junction, Poonagari |

Holiday Banking Service
Saturday ▲ Sunday ■ Saturday & Sunday ◄ Night Banking ☼

# NORTHERN PROVINCE

| Extension Office | Telephone | Postal Address |
|---|---|---|
| Poovarasakulam (Thalikkulam) | 024-3248002 | Mannar Road ,Poovarasakulam, Vavuniya |
| Punnalaikadduvan | 021-3124228 | Palaly Road, Punnalaikadduwan |
| Puthukkudiyiruppu | 024-3248864 | Paranthan Mullaitivu Road,Puthukudiyiruppu |
| Puthukulam | 024-3248034 | Sasthri Kolankulam, Vavuniya |
| Savalkaddu | 021-2255992 | Annamalai Veethy,Savalkaddu |
| Sirupiddy | 021-2231092 | Jaffna-Point Pedro Road,Sirupiddy |
| Thalaimannar Pier | 023-2281085 | Thalaimannar Pier, Thalaimannar |
| Thirumurikandy | 021-3208281 | Akkarayan Road, Thirumurikandy |
| Vavuniya District Secretariat Branch | 024-2222626 | Vavuniya District Secretariat Branch, Vavuniya |
| Vishvamadu | 024-3248004 | 268, Middle Class Scheme, New Punnaineeravi, Visuvamadu |

| ATMs | No. |
|---|---|
| Adampan Extension Office | 1 |
| Air Force Vavuniya | 1 |
| Ananthakumarasamy Welfare Centre | 1 |
| Atchuvely Branch | 1 |
| Chankanai | 1 |
| Chavakachcheri Branch | 1 |
| Chunnakam Branch | 1 |
| Jaffna Branch | 1 |
| Jaffna Campus - Thirunelvely | 1 |

| ATMs | No. |
|---|---|
| Jaffna Hospital | 1 |
| Jaffna Main Street, Extension Office | 1 |
| Jaffna Second City Branch | 1 |
| Kayts Branch (Velanai) | 1 |
| Kilinochchi Branch | 1 |
| Kokuvil | 1 |
| Mallawi Extension Office | 1 |
| Manipay Branch | 1 |
| Mankulam Branch | 1 |

| ATMs | No. |
|---|---|
| Mannar Branch | 2 |
| Mulliyawali Extension Office | 1 |
| Nallur | 1 |
| Nelliady Branch | 1 |
| Point Pedro Branch | 1 |
| Valvettiturai | 1 |
| Vavuniya Branch | 2 |
| Vavuniya District Secretariat Branch | 1 |
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# Service Points

## NORTH WESTERN PROVINCE

| Branch Code | Name of Branch | Telephone | E-Mail Address | Postal Address |
|---|---|---|---|---|
| 498 | Alawwa | 037-2278032 | boc498@boc.lk | 64, Giriulla Road, Alawwa |
| 548 | Anamaduwa | 032-2263280 | boc548@boc.lk | 27, 27/1 & 31, Kurunegala Road, Anamaduwa |
| 554 | Bingiriya ■ | 032-2246107 | boc554@boc.lk | 35 A, Chilaw Road, Bingiriya |
| 020 | Chilaw ▲ | 032-2222335 | boc020@boc.lk | Radaguru Edmund Peiris Mawatha, Chilaw |
| 497 | Dankotuwa | 031-2258180 | boc497@boc.lk | 46, 48, Kurunegala Road, Dankotuwa |
| 580 | Dummalasuriya ■ | 032-2240690 | boc580@boc.lk | 227, Kuliyapitiya, Madampe Road, Dummalasuriya |
| 549 | Galgamuwa ■ | 037-2253080 | boc549@boc.lk | 67,69, Anuradhapura Road, Galgamuwa |
| 553 | Giriulla ▲ | 037-2288080 | boc553@boc.lk | Market Complex, Giriulla |
| 570 | Hettipola ▲ | 037-2291080 | boc570@boc.lk | 45, 47, Kurunegala Road, Hettipola |
| 569 | Hiripitiya ■ | 037-2264080 | boc569@boc.lk | Kumbukgete Road, Hiripitiya |
| 770 | Ibbagamuwa ▲ | 037-2259970 | boc770@boc.lk | 110, Dambulla, Kurunegala Road, Ibbagamuwa |
| 589 | Kalpitiya ■ | 032-2260702 | boc589@boc.lk | 90, Main Street, Kalpitiya |
| 172 | Kobeigana | 037-2293101 | boc172@boc.lk | Main Street, Kobeigana |
| 052 | Kuliyapitiya ▲ | 037-2281280 | boc052@boc.lk | 70, Madampe Road, Kuliyapitiya |
| 009 | Kurunegala ▲ | 037-2233880 | boc009@boc.lk | Commercial Complex, Kurunegala |
| 513 | Kurunegala City ▲ | 037-2222331 | boc513@boc.lk | 34, Colombo Road, Kurunegala |
| 544 | Madampe | 032-2247680 | boc544@boc.lk | 10, Station Road, Madampe |
| 565 | Madurankuliya ■ | 032-2268003 | boc565@boc.lk | 66, Colombo Road, Madurankuliya |
| 564 | Maho | 037-2275280 | boc564@boc.lk | 145, Nikaweratiya Road, Maho |
| 257 | Mawathagama ■ | 037-2299259 | boc257@boc.lk | Kandy Road, Mawathagama |
| 555 | Melsiripura ■ | 037-2250088 | boc555@boc.lk | 254, Dambulla Road, Melsiripura |
| 534 | Narammala | 037-2248771 | boc534@boc.lk | 139, Negombo Road, Narammala |
| 050 | Nattandiya ■ | 032-2254280 | boc050@boc.lk | Kuliyapitiya Road, Nattandiya |
| 547 | Nikaweratiya | 037-2260922 | boc547@boc.lk | Puttalam Road, Nikaweratiya |
| 779 | Norochcholai ▲ | 032-2268555 | boc779@boc.lk | Kalpitiya Road, Norochcholai |

Holiday Banking Service
Saturday ▲ Sunday ■ Saturday & Sunday ◄ Night Banking ☼

## NORTH WESTERN PROVINCE

| Branch Code | Name of Branch | Telephone | E-Mail Address | Postal Address |
|---|---|---|---|---|
| 546 | Pannala ■ | 037-2245071 | boc546@boc.lk | Public Ground Road, Pannala |
| 526 | Polgahawela | 037-2243280 | boc526@boc.lk | 64, Kegalle Road, Polgahawela |
| 783 | Polpithigama | 037-2273103 | boc783@boc.lk | Madagalla Road, Polpithigama |
| 664 | Pothuhera | 037-2237619 | boc664@boc.lk | 96, Colombo Road, Pothuhera |
| 048 | Puttalam ■ | 032-2265255 | boc048@boc.lk | 53, Kurunegala Road, Puttalam |
| 532 | Ridigama | 037-2252080 | boc532@boc.lk | 84, Kurunegala Road, Ridigama |
| 558 | Waikkal ▲ | 031-2277280 | boc558@boc.lk | Thopputhota, Waikkal |
| 379 | Wariyapola | 037-2267348 | boc379@boc.lk | 1, Chilaw Road, Wariyapola |
| 104 | Welpalla | 031-2299512 | boc104@boc.lk | Agriculture Service Centre, Welpalla |
| 508 | Wennappuwa | 031-2255280 | boc508@boc.lk | 197, Chilaw Road, Wennappuwa |

## NORTH WESTERN PROVINCE

| Extension Office | Telephone | Postal Address |
|---|---|---|
| Ambanpola ▲ | 037-2254099 | Anuradapura Road, Ambanpola |
| Anavilundawa | 032-2259050 | 55, 57 ,Puttalam Road, Anavilundawa |
| Dambadeniya | 037-2266144 | 70, Kurunegala Road, Dambadeniya |
| Katupotha | 037-2247471 | Rambawewa Road, Katupotha |
| Katuneriya | 031-2245500 | Chilaw Road, Katuneriya |
| Kirimetiyana | 031-2249960 | 60, Negombo Road, Kirimatiyana, Lunuwila |
| Kochchikade | 031-2277353 | 23, Chilaw Road, Kochchikade |
| Kurunegala District Secretariat Branch | 037-2229726 | Kurunegala District Secretariat Branch, Kurunegala |
| Kumbukgete | 037-2264680 | Bank of Ceylon, Kumbukgete |
| Mahawewa | 032-2054255 | Kudawewa Road, Mahawewa |
| Makandura | 031-2298303 | Bandaranayaka Mawatha, Makandura |
| Marawila | 032-2252675 | 27/1, Chilaw Road, Marawila |
| Palaviya | 032-2269210 | Deshani Motors Building, Colombo Road , Palaviya |
| Paragahadeniya | 037-2296085 | Kandy Road, Paragahadeniya |
| Puttalam District Secretariat Branch | 032-2265351 | Puttalam District Secretariat Branch, Puttalam |
| Pallama | 032-2224945 | Thaksindu Building, Anamaduwa Road, Pallama |
| Toduwawa | 032-2256330 | Church Road, Thoduwawa |
| Udappuwa ▲ | 032-2258675 | 47, Main Street, Udappuwa |
| Wayamba University | 037-2284480 | Wayamba University, Kuliyapitiya |
| Wellawa | 037-2235499 | Sovis Building, Hiripitiya Road, Wellawa |
| Weerapokuna | 032-3297720 | Bowatte, Weerapokuna Road, Weerapokuna |

BoC

# Service Points

| ATMs | No. |
|---|---|
| Alawwa Branch | 1 |
| Anamaduwa Branch | 1 |
| Badagamuwa Tourist Center | 1 |
| Bingiriya Branch | 1 |
| Chilaw Branch | 1 |
| Dankotuwa Branch | 1 |
| Dummalasuriya Branch | 1 |
| Galgamuwa Branch | 1 |
| Giriulla Branch | 1 |
| Hettipola Branch | 1 |
| Hiripitiya Branch | 1 |
| Kalpitiya Branch | 1 |
| Katupotha Extension Office | 1 |
| Kuliyapitiya Branch | 2 |

| ATMs | No. |
|---|---|
| Kuliyapitiya Hospital | 1 |
| Kumbukgete Extension Office | 1 |
| Kurunegala Branch | 1 |
| Kurunegala Base Hospital | 1 |
| Kurunegala City Branch | 2 |
| Kurunegala District Secretariat Branch | 1 |
| Madampe Branch | 1 |
| Madurankuliya Branch | 1 |
| Marawila Extension Office | 1 |
| Mawathagama Branch | 1 |
| Melsiripura Branch | 1 |
| Maho Branch | 1 |
| Narammala Branch | 1 |

| ATMs | No. |
|---|---|
| Nattandiya Branch | 1 |
| Nikaweratiya Branch | 1 |
| Norochcholai Branch | 1 |
| Pannala Branch | 1 |
| Polgahawela Branch | 1 |
| Puttalam Branch | 1 |
| Ridigama Branch | 1 |
| Thulhiriya Mass Fabric Park | 1 |
| Waikkal | 1 |
| Wariyapola Branch | 1 |
| Wayamba University | 1 |
| Wennappuwa Branch | 1 |
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# SABARAGAMUWA PROVINCE

| Branch Code | Name of Branch | Telephone | E-Mail Address | Postal Address |
|---|---|---|---|---|
| 566 | Aranayake | 035-2258016 | boc566@boc.lk | 480, Dippitiya, Arnayake |
| 530 | Avissawella ▲ | 036-2222099 | boc530@boc.lk | 47, Dharmapala Mawatha, Avissawella |
| 401 | Ayagama | 045-2250080 | boc401@boc.lk | 38, Kalawana Road, Ayagama |
| 688 | Balangoda ■ | 045-2288390 | boc688@boc.lk | 137, Main Street, Balangoda |
| 634 | Dehiowita | 036-2222580 | boc634@boc.lk | 62, Main Street, Dehiowita |
| 642 | Deraniyagala | 036-2249280 | boc642@boc.lk | 4, Dehiowita Road, Deraniyagala |
| 057 | Eheliyagoda ■ | 036-2259571 | boc057@boc.lk | 46, Main Street, Eheliyagoda |
| 535 | Embilipitiya | 047-2230980 | boc535@boc.lk | 545, New Town, Embilipitiya |
| 786 | Godakawela | 045-2240080 | boc786@boc.lk | 168/1, Main Street, Godakawela |
| 772 | Hemmathagama | 035-2257280 | boc772@boc.lk | 86, Mawanella Road , Hemmathagama |
| 507 | Kahawatta | 045-2270180 | boc507@boc.lk | 746, Main Street, Kahawatte |
| 645 | Kalawana | 045-2255280 | boc645@boc.lk | 53C, 53C 1/1, 53C 1/2, Ratnapura Road, Manana, Kalawana |
| 027 | Kegalle | 035-2230600 | boc027@boc.lk | 110, Colombo Road, Kegalle |
| 536 | Kegalle City | 035-2222550 | boc536@boc.lk | 681/5, Main Street, Kegalle |
| 325 | Kuruwita | 045-2262581 | boc325@boc.lk | 60, Ratnapura Road, Kuruwita |
| 559 | Mawanella | 035-2246280 | boc559@boc.lk | 43, Main Street, Mawanella |
| 597 | Nivitigala ■ | 045-2279280 | boc597@boc.lk | 72, Kalawana Road, Nivitigala |
| 683 | Pelmadulla | 045-2274380 | boc683@boc.lk | 57, Main Street, Pelmadulla |
| 594 | Rakwana | 045-2246280 | boc594@boc.lk | 51, Main Street, Rakwana |
| 582 | Rambukkana | 035-2265280 | boc582@boc.lk | 8A, Diyasunnatha Mawatha, Rambukkana |
| 031 | Ratnapura ■ | 045-2222100 | boc031@boc.lk | 6, Dharmapala Mawatha, Ratnapura |
| 684 | Ratnapura City | 045-2222710 | boc684@boc.lk | 58, Main Street, Ratnapura |
| 585 | Ruwanwella | 036-2266280 | boc585@boc.lk | Public Trade Complex, Ruwanwella |
| 562 | Warakapola | 035-2267258 | boc562@boc.lk | 89 A, Main Street, Warakapola |
| 477 | Yatiyantota | 036-2271280 | boc477@boc.lk | 93, Ginigathhena Road, Yatiyantota |

Holiday Banking Service
Saturday ▲ Sunday ■ Saturday & Sunday ◄ Night Banking ☼

BoC
# Service Points

## SABARAGAMUWA PROVINCE

| Extension Office | Telephone | Postal Address |
|---|---|---|
| Bulathkohupitiya | 036-2247356 | 76, Kegalle Road, Bulathkohupitiya |
| Embilipitiya | 047-2261981 | 15, Moraketiya Road ,Embilipitiya |
| Endana | 045-3450661 | New Town, Endana, Gabbela, Kahawatta |
| Galigamuwa | 035-2282050 | Kegalle Road, Galigamuwa |
| General Hospital, Ratnapura | 045-2223561 | General Hospital, Ratnapura |
| Gonagaldeniya | 036-5677923 | Basnagoda Road , Gonagaldeniya |
| Idangoda | 045-2265080 | 7 A, Idangoda, Kiriella |
| Karawanella | 036-2268780 | 133/7, Avissawella Road, Karawanella |
| Karawita | 045-2279070 | Palawela Road, Udakarawita |
| Kegalle District Secretariat Branch | 035-2231574 | Kegalle District Secretariat Branch, Kegalle |
| Kegalle Hospital | 035-2222765 | Base Hospital Premises, Kegalle |
| Kitulgala | 036-2287747 | 81, Hatton Road , Kithulgala |
| Kolonna | 045-2260280 | Hospital Junction, Kolonna |
| Kotiyakumbura | 035-2289240 | 110, Kegalle Road, Kotiyakumbura |
| Moronthota | 035-2278114 | Kegalle Road, Morontota |
| Sabaragamuwa University, Pambahinna | 045-2280093 | Sabaragamuwa University, Pambahinna, Balangoda |
| Pinnawala Elephant Orphange | 035-2264294 | Elephant Orphange, Pinnawala |
| Sabaragamuwa Provincial Council | 045-2226116 | Pro.Council New Building, New Town, Rathnapura |
| Rathnapura District Secretariat Branch | 045-2222454 | Rathnapura District Secretariat Branch, Rathnapura |
| Seethawakapura BOI Complex | 036-2232656 | BOI Sri Lanka Office Complex, Avissawella |
| Udawalawa | 047-2232180 | 24/4, Udawalawa Junction, Kolambageara |
| Weligepola | 045-2227180 | 299/2, Weligepola |
| Weli-oya | 045-3603304 | Gunarathna Building, Welioya |

| ATMs | No. |
|---|---|
| Avissawella Branch | 2 |
| Ayagama Branch | 1 |
| Balangoda Branch | 1 |
| Deraniyagala | 1 |
| Eheliyagoda Branch | 1 |
| Embilipitiya Branch | 1 |
| Hydramani Industries Kuruwita | 1 |
| Idangoda Extension Office | 1 |
| J J Mills - Avissawella | 1 |
| Kahawatte Branch | 1 |
| Kalawana Branch | 1 |

| ATMs | No. |
|---|---|
| Kegalle Branch | 2 |
| Kegalle Hospital Extension Office | 1 |
| Kuruwita Branch | 1 |
| Mawanella Branch | 1 |
| Nivithigala Branch | 1 |
| Pelmadulla Branch | 1 |
| Rakwana Branch | 1 |
| Rambukkana Branch | 1 |
| Ratnapura Branch | 1 |
| Ratnapura City Branch | 1 |

| ATMs | No. |
|---|---|
| Ratnapura Hospital Extension Office | 1 |
| Ruwanwella Branch | 1 |
| Sabaragamuwa Provincial Council Extension Office | 1 |
| Sabaragamuwa University | 1 |
| Seethawakapura Extension Office | 1 |
| Warakapola Branch | 1 |
| Yatiyantota Branch | 1 |
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# SOUTHERN PROVINCE

| Branch Code | Name of Branch | Telephone | E-Mail Address | Postal Address |
|---|---|---|---|---|
| 754 | Ahungalla | 091-2264107 | boc754@boc.lk | 60, Galle Road, Ahungalle |
| 613 | Akuressa | 041-4922380 | boc613@boc.lk | 64, Matara Road, Akuressa |
| 047 | Ambalangoda | 091-2256307 | boc047@boc.lk | 274, Main Street, Ambalangoda |
| 537 | Ambalantota | 047-2223280 | boc537@boc.lk | 11, Wanduruppa Road, Ambalantota |
| 774 | Angunakolapelessa | 047-2229120 | boc774@boc.lk | Hungama Road, Angunakolapelessa |
| 525 | Baddegama | 091-2292280 | boc525@boc.lk | S Abeywickrama Building, Baddegama |
| 522 | Batapola | 091-2260405 | boc522@boc.lk | Aluthmawatha, Batapola |
| 539 | Beliatta | 047-2243274 | boc539@boc.lk | New Shopping Complex, 1st Floor, No 06, Beliatta |
| 102 | Bentota | 034-2271796 | boc102@boc.lk | Tourist Village, Bentota |
| 784 | Deiyandara | 041-2268598 | boc784@boc.lk | Hakmana Road, Deiyandara |
| 528 | Deniyaya | 041-2273280 | boc528@boc.lk | Main street, Deniyaya |
| 504 | Devinuwara ▲ | 041-2226280 | boc504@boc.lk | Tangalle Road, Devinuwara |
| 592 | Dickwella ▲ | 041-2255280 | boc592@boc.lk | 28 & 28/1 , Beliatta Road, Dickwella |
| 619 | Elpitiya ▲ | 091-4387524 | boc619@boc.lk | Janadhipathi Mawatha, Elpitiya |
| 003 | Galle | 091-2234214 | boc003@boc.lk | 2, Light House Street, Fort, Galle |
| 089 | Galle City ▲ | 091-2234006 | boc089@boc.lk | 2, Gamini Road, Galle |
| 691 | Hakmana ▲ | 041-2286280 | boc691@boc.lk | Beliatta Road, Hakmana |
| 085 | Hambantota | 047-2220180 | boc085@boc.lk | 33, Tower Hill Road, Hambantota |
| 609 | Hikkaduwa | 091-2277813 | boc609@boc.lk | 223, Galle Road, Hikkaduwa |
| 135 | Imaduwa | 091-2286030 | boc135@boc.lk | Ahangama Road, Imaduwa |
| 529 | Kamburupitiya ■ | 041-2292213 | boc529@boc.lk | School Lane, Kamburupitiya |
| 616 | Kataragama | 047-2235280 | boc616@boc.lk | 315, Tissamaharama Road, Kataragama |
| 750 | Koggala | 091-2283380 | boc750@boc.lk | Galle Road, Koggala |
| 024 | Matara ▲ | 041-2229280 | boc024@boc.lk | 11, Kumaratunga Mawatha, Matara |
| 614 | Matara City | 041-2222218 | boc614@boc.lk | Gunawardena Mawatha, Matara |
| 518 | Middeniya | 047-2247280 | boc518@boc.lk | Panamura Road, Middeniya |
| 667 | Neluwa | 091-3783014 | boc667@boc.lk | Kadihingala Road, Neluwa |
| 610 | Pitigala ■ | 091-2291205 | boc610@boc.lk | 39, North Pitigala Road, Pitigala |
| 693 | Ruhunu Campus | 041-2232880 | boc693@boc.lk | Ruhunu Campus Branch, Wellamadama, Matara |
| 596 | Talgaswela | 091-2296480 | boc596@boc.lk | Elpitiya, Mapalagama Road, Talgaswela |
| 056 | Tangalle | 047-2240280 | boc056@boc.lk | 145/147, Sea Street, Tangalle |
| 250 | Tawalama | 091-3783030 | boc250@boc.lk | No. 07, Egaliya Gedara Watta, Tawalama |
| 538 | Tissamaharamaya | 047-2237280 | boc538@boc.lk | 70, Main Street, Tissamaharamaya |

Holiday Banking Service
Saturday ▲ Sunday ■ Saturday & Sunday ◄ Night Banking ☼

BoC

# Service Points

## SOUTHERN PROVINCE

| Branch Code | Name of Branch | Telephone | E-Mail Address | Postal Address |
|---|---|---|---|---|
| 298 | Urubokka | 041-2272280 | boc298@boc.lk | Main Street, Urubokka |
| 517 | Walasmulla ▲ | 047-2245280 | boc517@boc.lk | 70, Beliatta Road, Walasmulla |
| 139 | Weeraketiya | 047-2246280 | boc139@boc.lk | Main Street, Weeraketiya |
| 550 | Weligama | 041-2250280 | boc550@boc.lk | 239, Main Street, Weligama |
| 578 | Yakkalamulla ■ | 091-2286080 | boc578@boc.lk | Imaduwa Road Yakkalamulla |

## SOUTHERN PROVINCE

| Extension Office | Telephone | Postal Address |
|---|---|---|
| Ahangama | 091-2283977 | 71/1, Galle Road, Ahangama |
| Aluthwala | 091-3094700 | Aluthwala Junction, Aluthwala |
| Barawakumbuka ■ | 047-3621008 | New Road, Barawakumbuka |
| Galle District Secretariat Branch | 091-2234514 | Galle District Secretariat Branch, Galle |
| Hambantota Administrative Complex | 047-2256180 | Administrative Complex, Hambantota |
| Karapitiya | 091-2227090 | 161A, Hirimbura Cross Road, Galle |
| Katuwana ▲ | 047-3621005 | Urubokka Road, Katuwana |
| Kekanadura | 041-2265061 | Sarath Building, Kekanadura Junction, Kekanadura |
| Kosmodara | 041-2271070 | Jayabima Building, Kosmodara, Kotapola |
| Kudawella | 041-2257514 | 116 B, East Kudawella, Nakulugamuwa |
| Lunugamvehera | 047-3621007 | New Town, Lunugamvehera |
| Maha-edanda | 091-3932627 | Sanasa Mandiriya, Maha-edanda, Karandeniya |
| Makandura | 041-2268785 | Samarasinghe Building , Makandura |
| Malimbada | 041-2240447 | Bank of Ceylon, Malimbada |
| Matara District Secretariat Branch | 041-2222673 | Fort, Matara |
| Morawaka | 041-2282700 | Wijaya Building , Morawaka |
| Pasgoda | 041-3444321 | Nishantha Building, Pasgoda Junction, Pasgoda |
| Pitabeddara | 041-2281081 | Deniyaya Road, Pitabeddara |
| Ranna | 047-2227280 | 165/1, Tissa Road, Ranna |
| Rathgama | 091-2267791 | Mangala Food City Building, Galle Road, Rathgama. |
| Suriyawewa ▲ | 047-2288280 | 27/1, Main Street, Suriyawewa |
| Thihagoda | 041-3444323 | Pradeshiya Sabha Building, Thihagoda |
| Udugama | 091-2285015 | H.A.L.A Building, Watte Kade, Udugama |
| Uragasmanhandiya ▲ | 091-2264865 | 125 1/1, Main Street, Uragasmanhandiya |
| Warapitiya | 047-3623303 | Sithamagalla Road , Rammala ,Warapitiya |
| Walgama | 041-3497192 | 904, Galle Road, Madiha, Matara |

Holiday Banking Service
Saturday ▲ Sunday ■ Saturday & Sunday ◄ Night Banking ☼

| ATMs | No. |
|---|---|
| Akuressa Branch | 1 |
| Ambalangoda Branch | 1 |
| Ambalantota Branch | 1 |
| Baddegama Branch | 1 |
| Batapola | 1 |
| Beliatte Branch | 1 |
| Bentota Branch | 1 |
| Deiyandara Branch | 1 |
| Deniyaya Branch | 1 |
| Devinuwara Branch | 1 |
| Dickwella Branch | 1 |
| Elpitiya Branch | 1 |
| Galle Branch | 1 |
| Galle City Branch | 2 |
| Hakmana Branch | 1 |
| Hambantota Branch | 1 |
| Hikkaduwa Branch | 1 |

| ATMs | No. |
|---|---|
| Imaduwa Branch | 1 |
| Kamburupitiya Branch | 1 |
| Karapitiya Extension Office | 1 |
| Kataragama Branch | 1 |
| Koggala Branch | 1 |
| Kudawella Extension Office | 1 |
| Maha Edanda Extension Office | 1 |
| Makandura Extension Office | 1 |
| Matara Branch | 2 |
| Matara City Branch | 1 |
| Matara General Hospital | 1 |
| Middeniya Branch | 1 |
| Middeniya MAS Holdings | 1 |
| Morawaka | 1 |
| Neluwa Branch | 1 |
| Pitigala Branch | 1 |
| Ranna Extension Office | 1 |

| ATMs | No. |
|---|---|
| Rathgama Extension Office | 1 |
| Ruhunu Campus Branch | 1 |
| Suriyawewa Extension Office | 1 |
| Tangalle Branch | 1 |
| Thalgaswala Branch | 1 |
| Thissamaharama Branch | 1 |
| Uragasmanhandiya Extension Office | 1 |
| Urubokka Branch | 1 |
| Walasmulla Branch | 1 |
| Walgama Extension Office | 1 |
| Weeraketiya Branch | 1 |
| Weligama Branch | 1 |
| Yakkalamulla Branch | 1 |
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BoC

# Service Points

## UVA PROVINCE

| Branch Code | Name of Branch | Telephone | E-Mail Address | Postal Address |
|---|---|---|---|---|
| 540 | Badalkumbura ▲ | 055-2250279 | boc540@boc.lk | No.202, Monaragala Road,Badalkumbura |
| 011 | Badulla ■ | 055-2222129 | boc011@boc.lk | Bank Road, Badulla |
| 320 | Ballaketuwa ■ | 055-2285160 | boc320@boc.lk | 36, Passara Road, Ballaketuwa |
| 515 | Bandarawela ■ | 057-2230014 | boc515@boc.lk | 198 B, Badulla Road, Bandarawela |
| 579 | Bibile ▲ | 055-2265480 | boc579@boc.lk | 41, Mahiyangana Road, Bibile |
| 560 | Buttala | 055-2273980 | boc560@boc.lk | 23, Moneragala Road, Buttala |
| 260 | Diyatalawa ■ | 057-2229092 | boc260@boc.lk | 28, Chandrasiri Building, Main Street, Diyatalawa |
| 476 | Ettampitiya■ | 055-2294080 | boc476@boc.lk | 23, Nuwara Eliya Road, Ettampitiya |
| 669 | Girandurukotte | 027-2254380 | boc669@boc.lk | New Town, Girandurukotte |
| 463 | Haldumulla | 057-2050203 | boc463@boc.lk | 25, Colombo Road, Haldumulla |
| 035 | Haputale ■ | 057-2268080 | boc035@boc.lk | 20, Station Road, Haputale |
| 785 | Haliela | 055-2295080 | boc785@boc.lk | 45, Bandarawela Road, Hali-ela |
| 629 | Koslanda | 057-2257780 | boc629@boc.lk | 15, Wellawaya Road, Koslanda |
| 577 | Lunugala | 055-2263980 | boc577@boc.lk | 149, Main Street, Lunugala |
| 647 | Lunuwatta | 057-2232742 | boc647@boc.lk | Padmasiri Bldg, Udapussellawa Road, Lunuwatta |
| 542 | Mahiyangana ▲ | 055-2257280 | boc542@boc.lk | 7, New Town, Badulla Road, Mahiyangana |
| 238 | Medagama | 055-2266580 | boc238@boc.lk | Moneragala Road, Medagama |
| 384 | Meegahakiwula | 055-2245707 | boc384@boc.lk | Ratnayake Complex, Meegahakiwula |
| 082 | Moneragala | 055-2276180 | boc082@boc.lk | 401, Wellawaya Road, Moneragala |
| 348 | Padiyatalawa | 063-2246003 | boc348@boc.lk | Main Street, Padiyatalawa |
| 503 | Passara ■ | 055-2288280 | boc503@boc.lk | 386, Main Street , Passara |
| 416 | Siyambalanduwa | 055-3555360 | boc416@boc.lk | Monaragala Road, Siyambalanduwa |
| 322 | Thanamalwila | 047-2234080 | boc322@boc.lk | 6, Tissa Road, Thanamalwila |
| 343 | Uva - Paranagama | 057-3577000 | boc343@boc.lk | Lunuatugama, Walahamulla, Uva Paranagama |
| 730 | Welimada ■ | 057-2245984 | boc730@boc.lk | 12, 12A, Hemapala Munidasa Mawatha, Welimada |
| 434 | Wellawaya | 055-2274628 | boc434@boc.lk | Tissamaharama Road, Wellawaya |

Holiday Banking Service
Saturday ▲ Sunday ■ Saturday & Sunday ◄ Night Banking ☼

# UVA PROVINCE

| Extension Office | Telephone | Postal Address |
|---|---|---|
| Badulla City Office | 055-2229580 | 1, Bandarawela Road , Badulla |
| Badulla District Secretariat Branch | 055-2225475 | Badulla District Secretariat Branch, Badulla |
| Bogahakumbura | 057-2280088 | Ambewela Road, Bogahakumbura |
| Dambagalla ▲ | 055-2275092 | Makulla Town, Dambagalla |
| Ella | 057-2228899 | Wellawaya Road, Ella |
| Ethiliwewa | 055-3594115 | Ethiliwewa junction, Ethiliwewa |
| Hasalaka | 055-2257180 | New Town, Hasalaka |
| Keppetipola | 057-2280043 | Timber Corp. Junction, N'Eliya Road, Keppetipola |
| Monaragala District Secretariat Branch | | Monaragala District Secretariat Branch, Monaragala |
| Moneragala Town ◄ | 055-2277270 | 94/2, Kumaradola Road, Monaragala |
| Okkampitiya | 055-2272092 | Udayasiri Building, Okkampitiya |
| Pelawatta Sugar Industries Complex | 055-3559825 | Pellawatta Sugar Ind. Complex, Pelawatta |

| ATMs | No. |
|---|---|
| Sri Lanka Air Force Camp -Diyatalawa | 1 |
| Badalkumbura Branch | 1 |
| Badulla Branch | 1 |
| Badulla Hospital, Badulla | 1 |
| Bandarawela Branch | 2 |
| Bibile Branch | 1 |
| Buttala Branch | 1 |

| ATMs | No. |
|---|---|
| Diyatalawa Branch | 1 |
| Ella Extension Office | 1 |
| Girandurukotte Branch | 1 |
| Haputale Branch | 1 |
| Mahiyangana Branch | 1 |
| Monaragala Branch | 1 |
| Padiyatalawa Branch | 1 |
| Passara Branch | 1 |

| ATMs | No. |
|---|---|
| Pelawatta Sugar Industries Complex Extension Office | 1 |
| Siyambalanduwa Branch | 1 |
| Thanamalwila Branch | 1 |
| Uva Wellassa University | 1 |
| Welimada Branch | 1 |
| Wellawaya Branch | 1 |
| | 22 |

BoC

# Service Points

## WESTERN PROVINCE NORTH

| Branch Code | Name of Branch | Telephone | E-Mail Address | Postal Address |
|---|---|---|---|---|
| 494 | Andiambalama | 011-2265565 | boc494@boc.lk | 113, Minuwangoda Road, Andiambalama |
| 732 | Biyagama ▲ | 011-5058970 | boc732@boc.lk | IPZ Administrative Complex, Biyagama |
| 038 | Borella ▲ | 011-4612617 | boc038@boc.lk | 71, Danister de Silva Mawatha, Borella |
| 668 | Borella City | 011-2685140 | boc668@boc.lk | 845, Super Market Complex, Borella City |
| 573 | Central Bus Stand ▲ | 011-2326761 | boc573@boc.lk | Central Bus Stand, Colombo 11 |
| 672 | Central Super Market ▲ | 011-5357573 | boc672@boc.lk | 2nd Floor, Central Super Market, Colombo 11 |
| 001 | City Office | 011-2320441 | boc001@boc.lk | 41, Bristol Street, Colombo 1 |
| 561 | Dematagoda | 011-2698588 | boc561@boc.lk | 45, 37, Kolonnawa Road, Dematagoda |
| 433 | Divulapitiya | 031-4921640 | boc433@boc.lk | 34, Negombo Road, Divulapitiya |
| 060 | Fifth City | 011-2421544 | boc060@boc.lk | 85, York Street, Colombo 1 |
| 045 | Gampaha ▲ | 033-2234404 | boc045@boc.lk | 16, Rest House Road, Gampaha |
| 628 | Grandpass ▲ | 011-2448202 | boc628@boc.lk | 703, Sirimavo Bandaranaike Mawatha, Grandpass |
| 032 | Hulftsdorp | 011-2320374 | boc032@boc.lk | 30, St.Sebastian Hill, Hulftsdorp |
| 039 | Ja-Ela ▲ | 011-5342311 | boc039@boc.lk | 19, Negombo Road, Ja-Ela |
| 059 | Kadawatha ▲ | 011-2920687 | boc059@boc.lk | 469, Ragama Road, Kadawatha |
| 780 | Kadawatha 2nd City | 011-2922195 | boc780@boc.lk | 430/11, New Town Complex, Kandy Road, Kadawatha |
| 771 | Kandana | 011-2232398 | boc771@boc.lk | 41/B-1/1, Negombo Road, Kandana |
| 658 | Katunayake IPZ | 011-2259583 | boc658@boc.lk | 436, Baseline Road, Averiwatta, Katunayake IPZ |
| 543 | Kiribathgoda ▲ | 011-2911304 | boc543@boc.lk | 201, Kandy Road, Kiribathgoda |
| 571 | Kirindiwela ▲ | 033-2267280 | boc571@boc.lk | 21, Radawana Road, Kirindiwela |
| 595 | Kolonnawa ▲ | 011-2572265 | boc595@boc.lk | 430 A, IDH Road, Kolonnawa |
| 663 | Kotahena | 011-2448632 | boc663@boc.lk | 182, George R De Silva Mawatha, Kotahena |
| 636 | Lake House | 011-5863723 | boc636@boc.lk | D.R.Wijewardena Mawatha, Colombo 1 |
| 612 | Lake View | 011-2314207 | boc612@boc.lk | 142, Sir James Peiris Mawatha, Colombo 2 |
| 026 | Main Street | 011-2329631 | boc026@boc.lk | 94, Main Street, Colombo 11 |
| 789 | Makola | 011-2964401 | boc789@boc.lk | 177/1, Makola South, Makola |
| 041 | Maradana | 011-2696550 | boc041@boc.lk | 94, S. Mahinda Himi Mawatha, Colombo 10 |
| 545 | Minuwangoda ■ | 011-2295214 | boc545@boc.lk | 19 , Divulapitiya Road , Minuwangoda |

Holiday Banking Service
Saturday ▲ Sunday ■ Saturday & Sunday ◄ Night Banking ☼

# WESTHERN PROVINCE NORTH

| Branch Code | Name of Branch | Telephone | E-Mail Address | Postal Address |
|---|---|---|---|---|
| 088 | Mirigama ▲ | 033-2276844 | boc088@boc.lk | 12, Amaratunga Mawatha, Mirigama |
| 762 | Narahenpita | 011-2368514 | boc762@boc.lk | 540, Thimbirigasyaya Road, Narahenpita |
| 018 | Negombo ▲ | 031-2222214 | boc018@boc.lk | 118, Rajapakse Broadway, Negombo |
| 572 | Negombo City▲ | 031-2222156 | boc572@boc.lk | 111, Main Street, Negombo |
| 675 | Nittambuwa | 033-2287280 | boc675@boc.lk | Super Market Complex, Nittambuwa |
| 042 | Peliyagoda▲ | 011-2980025 | boc042@boc.lk | 42, Negombo Road, Peliyagoda |
| 681 | Personal ☼ | 011-2446821 | boc681@boc.lk | Bank of Ceylon Head Office, "BOC Square"<br>No 01, Bank of Ceylon Mawatha, Colombo 1 |
| 765 | Pugoda▲ | 011-2404821 | boc765@boc.lk | 40/1, 43, Kospitiyana, Pugoda |
| 764 | Ragama▲ | 011-2960291 | boc764@boc.lk | 35/26, 36/26 Kadawatha Road, Ragama |
| 627 | Regent Street ▲ | 011-2690506 | boc627@boc.lk | National Hospital, Colombo 8 |
| 421 | Seeduwa | 011-2252019 | boc421@boc.lk | 429, 1/1, Negombo Road, Seeduwa |
| 682 | Veyangoda | 033-2287279 | boc682@boc.lk | 203A, Negombo Road, Veyangoda |
| 505 | Wattala ▲ | 011-5868394 | boc505@boc.lk | 520, Negombo Road, Wattala |
| 527 | Welisara ▲ | 011-2958485 | boc527@boc.lk | 540/2, Negombo Road, Welisara |
| 769 | Yakkala ■ | 033-2233591 | boc769@boc.lk | 46, Kandy Road, Yakkala |

BoC

# Service Points

## WESTERN PROVINCE NORTH

| Extension Office | Telephone | Postal Address |
|---|---|---|
| Batuwatte | 011-2960892 | No.245/1, Narangodapaluwa, Batuwatta |
| BOI Cash Collection Center | 011-2448875 | BOI, No. 14, Baron Jayathilake Mawatha, Colombo 1 |
| BOI Katunayake-Cash Collection Centre▲ | 011-2252523 | Export Processing Road, Katunayake |
| Bopitiya | 011-2243172 | 2, Bopitiya Junction, Pamunugama |
| Cargo Office | 011-2251943 | Air Cargo Building, Sri Lankan Air Lines, BOI, Katunayaka |
| Central Hospital | 011-2690546 | 114 , 4th Floor, Norris Canal Road, Colombo 10 |
| Courtaulds Clothing Lanka (Pvt)Ltd. | 011-2299055 | 487, Negombo Road ,Katuwellegama |
| Dalugama | 011-2909929 | No.465/A, Kandy Road, Dalugama, Kelaniya |
| Delgoda | 011-2402970 | 351/ H/5, New Kandy Road , Delgoda |
| Demanhandiya | 031-2228730 | 370, Westerciten Farm , Divulapitiya Rd, Demanhandiya |
| Elakanda | 011-2932282 | No 48, Hendala Road, Hendala, Wattala |
| Enderamulla▲ | 011-2937240 | 117, Gongithota Road, Enderamulla ,Wattala |
| Gampaha District Secretariat Branch | 033-2220868 | Gampaha District Secretariat Branch, Gampaha |
| Ganemulla | 033-2264888 | 378 C, Kadawatha Road, Ganemulla |
| Gothatuwa New Town | 011-5344593 | 33, Gothatuwa New Town |
| Katana | 031-2228353 | 305/J/1, Mirigama Road, Mahahunupitiya |
| Mulleriyawa New Town | 011-2157465 | No. 314/R, Avissawella Road, Mulleriyawa New Town |
| Naiwala | 033-2297720 | Divulapitiya Road, Naiwala |
| Narahenpita Economic Center ☼ | 011-2369622 | Dedicated Economic Cen. Narahenpita |
| Peliyagoda▲ | 011-2934042 | R.M.U. 9, Central Fish Market Complex, Peliyagoda |
| Raddolugama | 011-2289977 | 275, National Housing Scheme , Raddolugama |
| Ceybank Assets Management | 011-2694702 | 54/C1, Ward Place, Colombo 7 |
| Weliweriya | 033-2255444 | 342, New Kandy Road , Weliveriya |

Holiday Banking Service
Saturday ▲ Sunday ■ Saturday & Sunday ◄ Night Banking ☼

| ATMs | No. |
|---|---|
| Agio Tobacco Co., BEPZ, Malwana | 1 |
| Andiambalama Branch | 1 |
| Batuwatte Extension Office | 1 |
| Biyagama Branch | 2 |
| Bopitiya Extension Office | 1 |
| Borella Branch | 2 |
| Castle Hospital, Borella | 1 |
| City Office Branch | 2 |
| Courtaulds Clothing Garments Extension Office | 1 |
| Dalugama Extension Office | 1 |
| Delgoda Extension Office | 1 |
| Divulapitiya Branch | 1 |
| Elakanda | 1 |
| Gampaha Branch | 2 |
| Ganemulla Extension Office | 1 |
| Gothatuwa Extension Office | 1 |
| Grandpass Branch | 1 |
| Hulftsdorp Branch | 1 |
| IPZ Katunayake Branch | 1 |
| Ja-Ela Branch | 1 |
| Kadawatha Branch | 2 |
| Kadawatha City Branch | 1 |
| Kandana Branch | 1 |

| ATMs | No. |
|---|---|
| Kiribathgoda Branch | 2 |
| Kirindiwela Branch | 1 |
| Kolonnawa Branch | 1 |
| Kotahena Branch | 1 |
| Lady Ridgeway Hospital | 1 |
| Lake House Branch | 1 |
| Lake View Branch | 1 |
| Linea Aqua Garments, Kapugoda | 2 |
| Main Street Branch | 1 |
| Makola Branch | 1 |
| Maradana Branch | 1 |
| Minuwangoda Branch | 2 |
| Mirigama Branch | 1 |
| Narahenpita Economic Center | 1 |
| Negombo Branch | 2 |
| Negombo City | 1 |
| Negombo General Hospital | 1 |
| Nittambuwa Branch | 2 |
| Peliyagoda Branch | 1 |
| Personal Branch | 3 |
| Petrolium Corporation, Kolonnawa | 1 |
| Presidential Secretariat | 1 |
| Pugoda Branch | 1 |

| ATMs | No. |
|---|---|
| Ragama Branch | 1 |
| Raddolugama Extension Office | 1 |
| Regent Street Branch | 1 |
| Regent Street Doctor's Quarters | 1 |
| Seeduwa Branch | 1 |
| SL Ports Authority, New Nuge Road, Bagage Office, Peliyagoda | 1 |
| Sri Lanka Air Force Camp, Ekala | 1 |
| Sri Lanka Air Force Camp, Katunayake | 1 |
| Sri Lanka Navy Camp - Welisara | 1 |
| The Central Hospital | 1 |
| Trelleborg Lanka Pvt Ltd, Sapugaskanda | 1 |
| Veyangoda Branch | 1 |
| Ceybank Assets Management | 1 |
| Wattala Branch | 2 |
| Welisara Branch | 1 |
| Weliweriya | 1 |
| World Trade Centre, Colombo 1 | 1 |
| Yakkala Branch | 1 |
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# Service Points

## WESTERN PROVINCE SOUTH

| Branch Code | Name of Branch | Telephone | E-Mail Address | Postal Address |
|---|---|---|---|---|
| 657 | Agalawatta ▲ | 034-2243980 | boc657@boc.lk | No.22, Himali Medical Centre, Kalutara Road, Agalawatte |
| 680 | Aluthgama ▲ | 034-2275188 | boc680@boc.lk | No.14, Douglas Gunawardena Mawatha, Aluthgama |
| 757 | Athurugiriya | 011-2560599 | boc757@boc.lk | 70/20, Malabe Road, Athurugiriya |
| 037 | Bambalapitiya ▲ | 011-2598390 | boc037@boc.lk | 20, Unity Plaza Bldg., Galle Road, Colombo 4 |
| 665 | Bandaragama ■ | 038-2290280 | boc665@boc.lk | Janadhipathi Mawatha, Bandaragama |
| 679 | Battaramulla | 011-2862575 | boc679@boc.lk | 231, Main Street, Battaramulla |
| 058 | Beruwala ▲ | 034-2279899 | boc058@boc.lk | 165A, Galle Road, Beruwala |
| 673 | Bulathsinhala ■ | 034-2283116 | boc673@boc.lk | 40, Horana Road, Athura, Bulathsinhala |
| 051 | Dehiwala ■ | 011-2738514 | boc051@boc.lk | 207, Galle Road, Dehiwela |
| 563 | Dharga Town | 034-2275247 | boc563@boc.lk | 298, Main Street, Dharga Town |
| 293 | Dodangoda ▲ | 034-2281628 | boc293@boc.lk | 16, Thudugala, Matugama Road, Dodangoda |
| 741 | Hanwella | 036-2253520 | boc741@boc.lk | 133/8, Main Street, Hanwella, |
| 568 | Homagama ▲ | 011-2855059 | boc568@boc.lk | 93, Highlevel Road, Homagama |
| 054 | Horana ■ | 034-2261280 | boc054@boc.lk | 87, Anguruwathota Road, Horana |
| 521 | Hyde Park | 011-2687281 | boc521@boc.lk | 500, TB Jaya Mawatha, Hyde Park, Colombo 10 |
| 453 | Independence Square | 011-2678073 | boc453@boc.lk | 30A, Independence Avenue, Colombo 7 |
| 604 | Ingiriya | 034-2269280 | boc604@boc.lk | 20, Rathnapura Road, Ingiriya |
| 608 | Kaduwela | 011-2571253 | boc608@boc.lk | Seevali Mahal, Avissawella Road, Kaduwela |
| 016 | Kalutara ▲ | 034-2222214 | boc016@boc.lk | 218, Galle Road, Kalutara South, Kalutara |
| 030 | Katubedda ▲ | 011-2625438 | boc030@boc.lk | 605, Galle Road, Moratuwa |
| 034 | Kollupitiya | 011-4795035 | boc034@boc.lk | 28, St. Michael Road, Colombo 3 |
| 670 | Kollupitiya City | 011-2565380 | boc670@boc.lk | 409, Galle Road, Colombo 3 |
| 773 | Kottawa■ | 011-2783313 | boc773@boc.lk | 264/5A & B, Highlevel Road, Kottawa, Pannipitiya |
| 055 | Maharagama ▲ | 011-2850339 | boc055@boc.lk | 88, Highlevel Road, Maharagama |
| 763 | Malabe ■ | 011-2760753 | boc763@boc.lk | 410/1, Athurugiriya Road, Malabe |
| 556 | Matugama ◄ | 034-2243590 | boc556@boc.lk | 72, Agalawatte Road, Matugama |
| 593 | Milagiriya | 011-2504627 | boc593@boc.lk | 248, Galle Road, Colombo 4 |
| 061 | Moratuwa ▲ | 011-2645427 | boc061@boc.lk | 707, Galle Road, Moratuwa |

Holiday Banking Service
Saturday ▲ Sunday ■ Saturday & Sunday ◄ Night Banking ☼

# WESTERN PROVINCE SOUTH

| Branch Code | Name of Branch | Telephone | E-Mail Address | Postal Address |
|---|---|---|---|---|
| 766 | Mount Lavinia | 011-2721059 | boc766@boc.lk | 286, Galle Road, Mount Lavinia |
| 049 | Nugegoda ▲ | 011-2812091 | boc049@boc.lk | 174, Highlevel Road, Nugegoda |
| 678 | Padukka | 011-3175401 | boc678@boc.lk | 45, Hanwella Road, Padukka |
| 007 | Panadura ▲ | 038-2232214 | boc007@boc.lk | 4, Susantha Mawatha, Panadura |
| 607 | Panadura City ▲ | 038-2243324 | boc607@boc.lk | 21, Jayathilake Mawatha, Panadura |
| 644 | Parliament | 011-2777310 | boc644@boc.lk | Sri Lanka Parliament, Sri Jayawardenapura, Kotte |
| 690 | Pelawatta | 011-2785550 | boc690@boc.lk | 18A, New Parliament Road, Pelawatte, Battaramulla |
| 736 | Piliyandala▲ | 011-2614165 | boc736@boc.lk | 58, Moratuwa Road, Piliyandala |
| 746 | Rajagiriya | 011-5368641 | boc746@boc.lk | 608, Nawala Road, Rajagiriya |
| 689 | Ratmalana ▲ | 011-2738030 | boc689@boc.lk | 452, Galle Road, Ratmalana |
| 512 | Thimbirigasyaya | 011-2587345 | boc512@boc.lk | No.34, "Sambuddathwa Jayanthi Mandiraya", Thummulla Junction, Colombo 5 |
| 043 | Union Place | 011-2302470 | boc043@boc.lk | 278, Access Tower, Colombo 2 |
| 775 | Visakha | 011-2556215 | boc775@boc.lk | 133C, Vajira Road, Colombo 4 |
| 584 | Wadduwa ▲ | 038-2284304 | boc584@boc.lk | 557A, Galle Road, Wadduwa |
| 023 | Wellawatta ▲ | 011-2584232 | boc023@boc.lk | 149/2, Galle Road, Colombo 6 |

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# Service Points

## WESTERN PROVINCE SOUTH

| Extension Office | Telephone | Postal Address |
|---|---|---|
| Administrative Complex, Isurupaya | 011-2785875 | Ministry of Education, Isurupaya, Pelawatte, Battaramulla |
| B.M.I.C.H Premises | 011-2696820 | BMICH Premises, Bauddhaloka Mawatha, Colombo 7 |
| Baduraliya ■ | 034-2244952 | 36/1, Agalawatte Road, Baduraliya |
| Bodyline (Pvt) Ltd. | 034-4285500 | Bodyline (Pvt) Ltd., Ratnapura Road, Gurugoda, Horana |
| Bombuwala | 034-2289825 | Temple Road, Mankada, Bombuwala |
| Boralasgamuwa | 011-2518478 | No.50, Lake Road, Boralesgamuwa |
| Gonapola | 034-2257550 | 643, Colombo Road, Palannaruwa. Gonapola |
| Immigration & Emigration Office | 011-3071267 | 45, Ananda Rajakaruna Mawatha, Colombo 10 |
| Kalutara District Secretariat Branch | 034-2222286 | Kalutara District Secretariat Branch, Kalutara |
| Katubedda Campus | 011-2650301 | Katubedda Campus Premises, Bandaranayake Mawatha., Moratuwa |
| Katukurunda ■ | 034-2221364 | 915, Galle Road, Katukurunda, Kalutara South |
| Kesbewa | 011-2602517 | 229/D/2, Bandaragama Road, Kesbewa |
| Keselwatte ▲ | 038-2298330 | 29, Galle Road, Keselwatte, Panadura |
| Kirulapone | 011-2513874 | 88, Highlevel Road, Kirulapona |
| Lanka Hospital Corp. (Pvt) Ltd | 011-2369535 | Lanka Hospital Premises, No.578, Elvitigala Mawatha, Narahenpita |
| Lotteries Board | 011-4824841 | 356, Dr.Colvin R De Silva Mawatha, Union Place, Colombo 2 |
| Mattegoda | 011-2782399 | No.193/20, Opposite Bus Stand, Mattegoda |
| Meegoda Economic Dev. Centre ☼ | 011-2831589 | 35, Padukka Road, Library Bldg., Meegoda |
| Moratumulla | 011-2652178 | 240/2/1, De Zoysa Road, Moratumulla, Moratuwa |
| National Institute of Education | 011-7601601 | 21, Highlevel Road, Maharagama |
| Pita Kotte | 011-2820311 | 130C, Pagoda Road, Nugegoda |
| Pellawatte Matugama | 034-2284717 | No.151,Matugama Road, Pelawatte |
| Sethsiripaya | 011-2863637 | Sethsiripaya Complex, Battaramulla |
| Srawasthi Mandiraya | 011-2681366 | Srawasthi Mandiriya, Colombo 7 |
| Sri Jayawardenapura Hospital | 011-2779136 | Sri Jayawardenapura Hospital, Thalapathpitiya, Nugegoda |
| Thalawathugoda | 011-2775027 | 215/2, Pannipitiya Road, Thalawathugoda |
| Wijerama | 011-2803553 | 705, Highlevel Road, Gangodawila, Nugegoda |

Holiday Banking Service
Saturday ▲ Sunday ■ Saturday & Sunday ◄ Night Banking ☼

| ATMs | No. |
|---|---|
| Agalawatte Branch | 1 |
| Aluthgama Branch | 1 |
| Army Camp Panagoda | 1 |
| Athurugiriya Branch | 1 |
| Baduraliya Extension Office | 1 |
| Ballys Entertainment Centre, D R Wijewardena Mawatha. | 1 |
| Bambalapitiya Branch | 2 |
| Bandaragama Branch | 1 |
| Battaramulla Branch | 1 |
| Beruwala Branch | 1 |
| BMICH | 1 |
| Body Line Garments Extension Office | 1 |
| Bombuwala Extension Office | 1 |
| Boralesgamuwa Extension Office | 1 |
| Bulathsinhala Branch | 1 |
| CECB, Bauddhaloka Mawatha | 1 |
| Colombo Municipal Council, Town Hall | 1 |
| Dehiwala Branch | 1 |
| Dehiwala Zoo | 1 |
| Dharga Town Branch | 1 |
| Dodangoda Branch | 1 |
| German Technical College, Ratmalana | 1 |
| Gonapola Extension Office | 1 |
| Hanwella Branch | 1 |
| Homagama Branch | 2 |
| Horana Branch | 2 |

| ATMs | No. |
|---|---|
| Hydramani Garments - Kahathuduwa | 1 |
| Independence Square Branch | 1 |
| Ingiriya Branch | 1 |
| Isurupaya | 1 |
| Kaduwela Branch | 1 |
| Kalubowila, Hospital | 1 |
| Kalutara Branch | 1 |
| Kalutara District Secretariat Branch | 1 |
| Katubedda Branch | 1 |
| Katubedda-University Extension Office | 1 |
| Katukurunda Extension Office | 1 |
| Kesbewa Extension Office | 1 |
| Keselwatte Extension Office | 1 |
| Kirulapone Extension Office | 1 |
| Kollupitiya Branch | 1 |
| Kollupitiya City Branch | 1 |
| Kotalawala Defence Acadamy, Ratmalana | 1 |
| Kottawa Branch | 1 |
| Lanka Hospitals Corpn. PLC | 1 |
| Maharagama Branch | 3 |
| Maharagama, Cancer Hospital | 1 |
| Malabe Branch | 1 |
| Mattegoda Extension Office | 1 |
| Matugama Branch | 1 |
| Milagiriya Branch | 1 |
| Moratumulla Extension Office | 1 |
| Moratuwa Branch | 1 |

| ATMs | No. |
|---|---|
| Mount Lavinia Branch | 1 |
| Nagoda Hospital | 1 |
| Nugegoda Branch | 3 |
| Odel, Alexandra Place | 1 |
| Padukka Branch | 1 |
| Panadura Branch | 1 |
| Panadura City Branch | 1 |
| Parliament Branch | 1 |
| Pellawatte Matugama | 1 |
| Piliyandala Branch | 1 |
| Pitakotte Extension Office | 1 |
| Rajagiriya Branch | 1 |
| Ratmalana Branch | 1 |
| Sintesi Garments, Ranala | 1 |
| SLIIT Malabe | 1 |
| Southern Express Way | 2 |
| Srawasthi Mandiraya Extension Office | 1 |
| Sri Jayawardenapura Hospital Extension Office | 1 |
| Talawathugoda Extension Office | 1 |
| Timbirigasyaya Branch | 1 |
| Union Place Branch | 1 |
| Vishaka Branch | 1 |
| Wadduwa Branch | 1 |
| Water Board, Ratmalana | 1 |
| Wellawatta Branch | 2 |
| Wijerama Extension Office | 1 |
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# Service Points

## CORPORATE BRANCHES

| Branch Code | Name of Branch | Telephone | SWIFT CODE | E-Mail Address | Postal Address |
|---|---|---|---|---|---|
| 660 | Corporate | 011-2345428 | BCEYLKLX | agmcr@boc.lk | Bank of Ceylon Head Office, "BOC Square", No. 01, Bank of Ceylon Mawatha, Colombo 01 |
| 822 | Corporate 2nd | 011-2325742 | | agmrecco@boc.lk | Bank of Ceylon Head Office, "BOC Square", No. 01, Bank of Ceylon Mawatha, Colombo 01 |
| 618 | Metropolitan | 011-2329419 | | bocmb@boc.lk | 10, York Street, Colombo 1 |
| 004 | Pettah | 011-2393544 | | bocpb@boc.lk | 212/63, Gas Work Street, Colombo 11 |
| 747 | Taprobane | 011-2422267 | | boc747@boc.lk | 10, York Street, Colombo 1 |
| 726 | Off Shore Banking Unit | 011-2338765 | BCEYLKLX 131 | agmoffsho@boc.lk | Bank of Ceylon Head Office, "BOC Square", No. 01, Bank of Ceylon Mawatha, Colombo 01 |

## CORPORATE BRANCHES

| Extension Office | Telephone | Postal Address |
|---|---|---|
| Board of Investment - S L P A | 011-2448875 | Sir Baron Jayathilaka Mawatha, Colombo 1 |
| Canal Yard - S L P A | 011-2483526 | Sri Lanka Ports Authority , Canal Yard, Colombo 1 |
| Ceylon Shipping Lines Ltd. | 011-2445268 | 450, D R Wijewardena Mawatha, Colombo 10 |
| Customs Imports Unit (Long Room) | 011-2447030 | Customs Headquarters Building, 40, Main Street, Colombo 11 |
| Health Ministry Suvasiripaya | 011-2681361 | Ministry of Health, 385, Baddegama Wimalawansa Mawatha, Colombo 10 |
| Inland Revenue Department | 011-2337367 | Department of Inland Revenue , Sir Chittampalam A Gardiner Mawatha, Colombo 2 |
| Jawatta Inland Revenue | 011-5657162 | Inland Revenue Dept, No. 80, Jawatte Road, Colombo 5 |
| Laksiri Seva (Pvt) Ltd. | 011-2917729 | 66, New Nuge Road, Peliyagoda |
| Permit Office - S L P A Hunters | 011-2483542 | Security Division, Sri Lanka Ports Authority , Colombo 1 |
| Pettah Distrct Secretariat Branch | 011-2434478-50 | Pettah Distrct Secretariat Branch, Pettah |
| Sri Lanka Bureau of Foreign Employment | 011-2864147 | 234, Denzil Kobbekaduwa Mawatha, Koswatta, Battaramulla |
| Trico Maritime (Pvt) Ltd. | 011-3134764 | 50, K Cyril C Perera Mawatha, Colombo 13 |
| Ware House SriLanka Ports Authority | 011-2942620 | Warehouse, New Nuge Road, Peliyagoda |

| ATMs | No. |
|---|---|
| Bellagio Club, Duplication Road, Colombo 3 | 1 |
| Ceylon Dockyard Ltd | 1 |
| Customs New Head Office | 1 |
| Health Ministry, Suvasiripaya | 1 |
| Katunayaka Air Port | 1 |
| Metropolitan Branch | 1 |

| ATMs | No. |
|---|---|
| MGM Club, Galle Road, Bambalapitiya | 1 |
| Mobile Banking Unit | 1 |
| Pensions Department-Maligawatte | 1 |
| Pettah Branch | 2 |

| ATMs | No. |
|---|---|
| Sri Lanka Air Force Head Quarters, Colombo 2 | 1 |
| Sri Lanka Bureau of Foreign Employment | 1 |
| Sri Lanka Ports Authority, Jaya Terminal | 1 |
| | 14 |

## PREMIER BANKING

| Branch Code | Name of Branch | Telephone | E-Mail Address | Postal Address |
|---|---|---|---|---|
| 788 | Premier Banking centre, Colombo | 011-2694282 | pbc@boc.lk | No. 21, Sir Ernest De Silva Mawatha, Colombo 7 |

| ATMs | No. |
|---|---|
| Premier Banking centre, Colombo | 1 |

## OVERSEAS BRANCHES

| Branch Code | Name of Branch | Telephone | SWIFT CODE | E-Mail Address | Postal Address |
|---|---|---|---|---|---|
| 758 | Chennai | 009144-28190972<br>009144-28190973 | BCEYIN5M | ceybank@vsnl.com | No. 20/21, Casa Major Road, New No. 2 (Old No. 11), Zerat Garden, 2nd Lane, Egmore, Chennai-600 008. Tamil Nadu, India. |
| 632 | Male | 00960-3323045<br>00960-3323046 | BCEYMVMV | bcmale@dhivehinet.net.mv | "Aage", 12, Boduthakurufaanu, Magu, Henveiru, Male. 20094, Republic of Maldives |

| ATMs | No. |
|---|---|
| Male | 2 |

# Corporate Offices

## BOC CARD CENTRE

"Issuing & managing VISA & Master Credit Cards. Franchising & servicing merchants using point of sales machines & internet payment gateway facility"

Level - 1, West Tower, World Trade Centre
Echelon Square, Colombo 1, Sri Lanka.

Tel : +94 11 2445799, 2325088, 2395806, 2205600, 2205620, 2205680
Fax : +94 11 2325099, 2325092, 2395807
Email : agmccc@boc.lk / cmcardrec@boc.lk/ cmccc@boc.lk

*Branch Code : 731*

## BOC PREMIER BANKING CENTRE

"Dedicated centre for private banking"

21, Sir Ernest De Silva Mawatha, Colombo 7.

Tel : +94 11 2694282 - 86
Fax : +94 11 2694280
Email : pbc@boc.lk

*Branch Code : 788*

## CORRESPONDENT BANKING DEPARTMENT

"Gateway to global banking & financial relationships"

9th Floor, Bank of Ceylon Head Office,
"BOC Square", No. 1, Bank of Ceylon Mawatha,
Colombo 1, Sri Lanka.

Tel : +94 11 2445791
Fax : +94 11 2445791
Email : corresbd@boc.lk / cbd@boc.lk

*Branch Code : 087*

## CREDIT SUPPORT

"Issuing of local & international guarantees & documentation of credit facilities"

3rd Floor, Bank of Ceylon Head Office
"BOC Square", No. 1, Bank of Ceylon Mawatha,
Colombo 1, Sri Lanka.

Tel : +94 11 2541943
Fax : +94 11 2446820
Email : corpcrsupport@boc.lk
crsupport@boc.lk

*Branch Code : 660*

## DEALING ROOM

"Providing money market and foreign exchange related services"

7th Floor, Bank of Ceylon Head Office,
"BOC Square", No. 1, Bank of Ceylon Mawatha,
Colombo 1, Sri Lanka

Tel : +94 11 2445785-7, 2386862
Fax : +94 11 2445788
Email : chiefdealer@boc.lk

*Branch Code 760*

## ELECTRONIC BANKING UNIT

"Management of ATM card operations, facilitator for internet & mobile banking"

21st Floor, Bank of Ceylon Head Office,
"BOC Square", No. 1, Bank of Ceylon Mawatha,
Colombo 1, Sri Lanka.

Tel : +94 11 2542162, 2204650 - 61
Fax : +94 11 2447569
Email : atmcard@boc.lk

*Branch Code : 777*

## GOLD SHOP

"Supplier of precious gold to the nation"

Ground Floor, Bank of Ceylon Head Office,
"BOC Square", No. 1, Bank of Ceylon Mawatha,
Colombo 1, Sri Lanka.

Tel : +94 11 2345420
Fax : +94 11 2345420
Email : goldshop@boc.lk

*Branch Code : 087*

## INWARD REMITTANCES

"Facilitator in processing inward remittances to Sri Lanka"

8th Floor, Bank of Ceylon Head Office,
"BOC Square", No. 1, Bank of Ceylon Mawatha,
Colombo 1, Sri Lanka

Tel : +94 11 2445792, 2541933, 5742978
Fax : +94 11 2344845
Email : irdept@boc.lk

*Branch Code : 087*

## ISLAMIC BANKING UNIT

"Brand house for all Islamic banking products and services"

25th Floor, Bank of Ceylon Head Office,
"BOC Square", No. 1, Bank of Ceylon Mawatha,
Colombo 1, Sri Lanka.

Tel : +94 11 2205030
Fax : +94 11 2445811
Email : ibu@boc.lk

*Branch Code : 776*

## PRIMARY DEALER UNIT

"Retail buying & selling of Government securities"

7th Floor, Bank of Ceylon Head Office,
"BOC Square", No. 1, Bank of Ceylon Mawatha,
Colombo 1, Sri Lanka

Tel : +94 11 2448830
Fax : +94 11 2448207
Email : pdu@boc.lk

*Branch Code : 099*

## TRADE PROMOTION

"Service provider for migrant employee community"

7th Floor, Bank of Ceylon Head Office,
"BOC Square", No. 1, Bank of Ceylon Mawatha,
Colombo 1, Sri Lanka.

Tel : +94 11 2447831, 2203870
Fax : +94 11 2346841
Email : inttrade@boc.lk

*Branch Code : 087*

## TRADE SERVICES

"Providing trade finance facilities & advisory services"

2nd Floor, Bank of Ceylon Head Office,
"BOC Square", No. 1, Bank of Ceylon Mawatha,
Colombo 1, Sri Lanka.

Tel : +94 11 2394310, 2203310
Fax : +94 11 2542170
Email : agmtradefinance@boc.lk

*Branch Code : 660*

# Notes

# Corporate Information

NAME OF THE INSTITUTION
Bank of Ceylon

LEGAL FORM
* A banking corporation domiciled in Sri Lanka, duly incorporated on 1st August 1939 under the Bank of Ceylon Ordinance No. 53 of 1938.

* A licensed commercial bank established under the Banking Act No. 30 of 1988.

REGISTERED OFFICE
"BOC Square", No.01
Bank of Ceylon Mawatha
Colombo 01, Sri Lanka
Tel : +94 11 2203333 (Hotline)
+94 11 2446790-811 (22 lines)
+94 11 2338741-47 (7 lines)
+94 11 2445815-20 (6 lines)
+94 11 2544340-44 (5 lines)
+94 11 2544333-37 (5 lines)
Facsimile : +94 11 2321160
Bank Code : 7010
SWIFT Code : BCEYLKLX
E-mail : boc@boc.lk, customercare@boc.lk
Website : www.boc.lk

CALL CENTRE
Tel : +94 11 2204444
Facsimile : +94 11 2320864

24 HOUR SERVICE CENTRE
Travel Counter, Ground Floor
Bank of Ceylon Head Office
"BOC Square", No. 01, Bank of Ceylon Mawatha
Colombo 01, Sri Lanka
Tel : +94 11 2203044/45

ACCOUNTING YEAR END
31st December

TAX PAYER IDENTIFICATION NUMBER (TIN)
409000070

VAT REGISTRATION NUMBER
409000070 – 7000

SVAT REGISTRATION NUMBER
SVAT002898

STOCK EXCHANGE LISTING
The Unsecured, Subordinated Redeemable Debentures of November 2008/November 2013 series with fixed, floating and zero coupon interest rates and June 2010/June 2015 series, December 2011/December 2016 series and November 2012/November 2017 series with fixed and floating interest rates are listed on the Colombo Stock Exchange.

The USD Senior notes of May 2012/May 2017 with fixed rate are listed on the Singapore Stock Exchange.

CREDIT RATINGS
* National Long-term rating :
'AA+(lka)' Outlook Stable

* Subordinated debentures :
'AA(lka)' by Fitch Ratings Lanka Limited

* USD Senior notes :
'BB -' by Fitch Ratings and 'B 1' by Moody's Investors Service

LAWYERS
Ms. S H Ranawaka
Chief Legal Officer of Bank of Ceylon and her assistants
Tel : +94 11 2445813
Facsimile : +94 11 2321167
E-mail : clo@boc.lk

COMPLIANCE OFFICER
Mr. A de S Pinnaduwage (Assistant General Manager - Compliance)
Tel : + 94 11 2448532
Facsimile : + 94 11 2544306
E-mail : agmcmpl@boc.lk

AUDITOR
The Auditor General
The Auditor General's Department
No. 306/72, Polduwa Road
Battaramulla, Sri Lanka
Tel : + 94 11 2887028 - 34
Facsimile : + 94 11 2887223
E-mail : oaggov@sltnet.lk

(Appointed in terms of the provisions of Article 154 of the Constitution of the Democratic Socialist Republic of Sri Lanka)

REGISTRARS TO THE DEBENTURE ISSUES
2010/2015 Series, 2011/2016 series and 2012/2017 series
Bank of Ceylon
Investment Banking Division
23rd Floor, Bank of Ceylon Head Office
"BOC Square", No. 01
Bank of Ceylon Mawatha
Colombo 01, Sri Lanka
Tel : +94 11 2448348
+94 11 2446790 - 811 (22 lines)
Facsimile : +94 11 2346842
E-mail : investment@boc.lk

2008/2013 Series
Merchant Bank of Sri Lanka PLC
Level 18, Bank of Ceylon Merchant Tower
No.28, St. Michael's Road, Colombo 03, Sri Lanka
Tel : +94 11 4711766, +94 11 4711711
Facsimile : +94 11 4711704
E-mail : karnikaj@mbslbank.com

REGISTRARS TO THE USD SENIOR NOTES
Citigroup Global Markets Deutschland AG
Reuterweg
1660323
Frankfurt, Germany
Tel : +49 69 1366 2216
E-mail : dirk.loscher@citi.com

BOARD OF DIRECTORS
Mr. Razik Zarook (Chairman)
(w.e.f. 09.01.2013)
Mr. S R Attygalle (Ex-officio Director)
Mr. Raju Sivaraman
Ms. Nalini Abeywardene
Mr. Chandrasiri de Silva
Mr. K L Hewage
Mr. R M A Ratnayake
(Alternate Director to Mr. S R Attygalle w.e.f. 30.01.2013)

SECRETARY TO THE BOARD
Ms. Janaki Senanayake Siriwardane

AUDIT COMMITTEE
Mr. R M A Ratnayake (Chairman)
(Alternate Director to Mr. S R Attygalle)
Mr. Raju Sivaraman
Mr. K L Hewage

HUMAN RESOURCES AND REMUNERATION COMMITTEE
Ms. Nalini Abeywardene (Chairperson)
Mr. Raju Sivaraman
Mr. Chandrasiri de Silva
Mr. K L Hewage

NOMINATION AND CORPORATE GOVERNANCE COMMITTEE
Mr. Raju Sivaraman (Chairman)
Mr. S R Attygalle
Mr. K L Hewage

INTEGRATED RISK MANAGEMENT COMMITTEE
Mr. S R Attygalle (Chairman)
Mr. Raju Sivaraman
Mr. K L Hewage

CLARIFICATIONS ON THE REPORT, PLEASE CONTACT
The Deputy General Manager (Finance & Planning)
10th Floor, Bank of Ceylon Head Office, "BOC Square",
No. 01, Bank of Ceylon Mawatha, Colombo 01, Sri Lanka
Tel : +94 11 2432680, +94 11 2203900
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BANK OF CEYLON

Bankers to the Nation

**Bank of Ceylon**
"BOC Square",
No.01, Bank of Ceylon Mawatha
Colombo 01, Sri Lanka.