# BANK OF CEYLON

# Many things to many people.

BANK OF CEYLON

Bankers to the Nation

ANNUAL REPORT 2011

# Many things to many people.

The Bank of Ceylon is many things to many people. We serve over ten million customers islandwide and our commitment to each of them remains steadfast. Our multi-faceted offering is one of our greatest strengths. From the smallest child's savings account to corporate credit for state and private sector companies, we serve at every level. Where others specialise their portfolios, we expand ours. This is how we stay relevant, supportive and diverse. It is why so many different people come to us and stay with us for generations.

Bank of Ceylon. We're many things to many people.

"...it is why so many different people come to us and stay with us for generations."

# CONTENTS

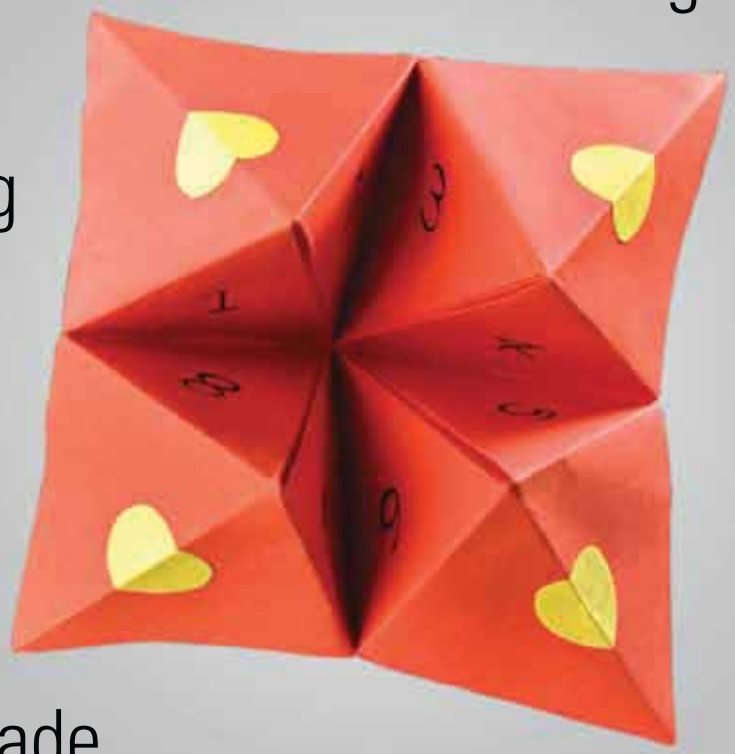

| | |
|---|---|
| Business Highlights | 02 |
| Financial Highlights | 03 |
| Financial Highlights - Graphical Review | 04 |
| Vision & Mission | 06 |
| Historical Review | 08 |
| Chairman's Message | 15 |
| General Manager's Review | 17 |
| Board of Directors | 18 |
| Corporate Management | 20 |
| Executive Management Team | 24 |
| Management Discussion & Analysis | 30 |
| Risk Management | 56 |
| Corporate Governance | 65 |
| Board & Board Subcommittees | 88 |
| Report of Board Subcommittees | 89 |
| Sustainability Report | 98 |
| GRI Standard Disclosures Index | 152 |

| | |
|---|---|
| Annual Report of the Directors on the State of Affairs of the Bank of Ceylon | 160 |
| Directors' Interest in Contracts | 164 |
| Directors' Statement on Internal Control | 169 |
| Independent Assurance Report | 171 |
| Directors Responsibility for Financial Reporting | 172 |
| Report of the Auditor General | 173 |
| Income Statement | 174 |
| Balance Sheet | 175 |
| Statement of Changes in Equity | 176 |
| Cash Flow Statement | 177 |
| Significant Accounting Policies | 180 |
| Notes to the Financial Statements | 196 |
| Capital Adequacy | 268 |
| Investor Information | 272 |
| Products & Services | 288 |
| Group Structure | 293 |
| Subsidiaries & Associates | 294 |
| Correspondent Banks by Country | 300 |
| Exchange Companies by Country | 306 |
| Glossary of Financial/Banking Terms | 307 |
| Corporate Offices | 312 |
| BoC Service Points | 314 |
| Corporate Information | Inner Back Cover |

Corporate Banking

Personal Banking

Islamic Banking



International & Treasury

Investment Banking

Off-shore Banking

Trade Finance

Development Banking

ANNUAL REPORT 2011

# Business Highlights

Leading the treasury operations of the local foreign exchange market with over 50% market share.

**Highest ranked**
Sri Lankan bank in the Bankers Almanac.

**Expanded the Bank's operations to 970 service points**

Worldwide network reaching
**840**
foreign correspondents.

Representing largest off-shore banking operations with the highest market share of assets.

Bank of Ceylon's National Long-Term Rating has been upgraded to
**'AA+ (lka)**
stable outlook'
Fitch Ratings Lanka Ltd

Leader in inward foreign remittances with over 43% market share.

Single borrower exposure capacity in excess of
**Rs.13 bln**

The Bank successfully issued the third series of 5 year unsecured, subordinated debentures listed on the Colombo Stock Exchange to raise
**Rs.5 bln**

'BoC Premier Centre' was established to provide Personal Banking Services for high net worth individuals.

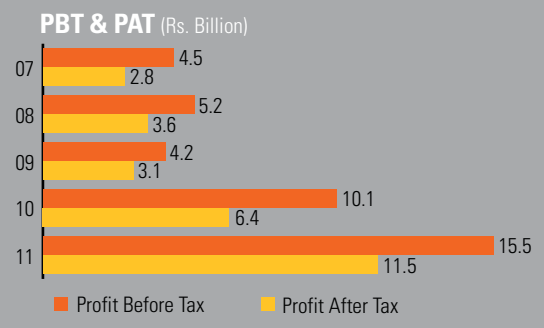
**Bank achieved a remarkable volume of advances crossing**
**Rs.500 bln**
**milestone.**

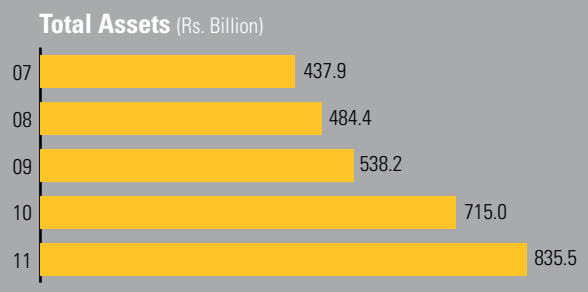
# Financial Highlights

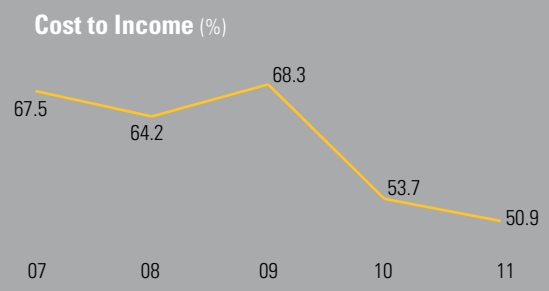
| | Bank | | | Group | | |
|---|---|---|---|---|---|---|
| | 2011 Rs.Million | 2010 Rs.Million | Change % | 2011 Rs.Million | 2010 Rs.Million | Change % |
| **Results of Operations** | | | | | | |
| Total income | **71,368** | 63,363 | 12.6 | **75,055** | 66,654 | 12.6 |
| Profit before financial VAT and taxation | **18,062** | 14,054 | 28.5 | **18,212** | 14,990 | 21.5 |
| Profit before taxation | **15,546** | 10,053 | 54.6 | **15,851** | 11,075 | 43.1 |
| Income tax expense | **4,025** | 3,687 | 9.2 | **4,364** | 4,162 | 4.9 |
| Profit after taxation | **11,521** | 6,365 | 81.0 | **11,487** | 6,913 | 66.2 |
| Value to Government | **10,387** | 10,785 | (3.7) | **10,781** | 11,386 | (5.3) |
| **Financial Position** | | | | | | |
| Shareholders' equity (Capital and Reserves) | **40,163** | 28,132 | 42.8 | **43,382** | 31,261 | 38.8 |
| Total assets | **835,540** | 714,954 | 16.9 | **856,393** | 730,065 | 17.3 |
| Gross loans and advances | **552,792** | 382,310 | 44.6 | **568,615** | 392,708 | 44.8 |
| Deposits from customers | **588,765** | 524,233 | 12.3 | **597,139** | 529,319 | 12.8 |
| **Asset Quality** | | | | | | |
| Non-performing assets | **11,416** | 12,638 | (9.7) | **12,746** | 13,701 | (7.0) |
| Net exposure | **4,135** | 5,338 | (22.5) | **4,953** | 5,841 | (15.2) |
| NPA Ratio % | **2.1** | 3.3 | (1.2) | **2.2** | 3.5 | (1.3) |
| Net exposure/Shareholders' equity % | **10.3** | 19.0 | (8.7) | **11.4** | 18.7 | (7.3) |
| **Per Share Data (Rs)** | | | | | | |
| Earnings per share | **2,304** | 1,273 | 81.0 | **2,273** | 1,352 | 68.1 |
| Net assets per share | **8,033** | 5,626 | 42.8 | **8,400** | 6,039 | 39.1 |
| **Performance Ratios (%)** | | | | | | |
| Return on average assets | **2.0** | 1.6 | 0.4 | **2.0** | 1.7 | 0.3 |
| Return on average equity | **33.7** | 24.0 | 9.7 | **30.8** | 23.8 | 7.0 |
| Interest margin | **3.2** | 3.1 | 0.1 | **3.3** | 3.3 | 0.0 |
| Cost to income | **50.9** | 53.7 | (2.9) | **51.3** | 53.9 | (2.6) |
| **Statutory Ratios (%)** | | | | | | |
| Liquid assets ratio (Domestic) (minimum requirement 20%) | **23.4** | 28.7 | (5.3) | **N/A** | N/A | N/A |
| **Capital adequacy ratios :** | | | | | | |
| Core capital adequacy ratio (minimum requirement 5%) | **8.5** | 10.3 | (1.8) | **9.3** | 11.4 | (2.1) |
| Capital adequacy ratio (minimum requirement 10%) | **11.6** | 13.7 | (2.1) | **12.8** | 15.2 | (2.4) |

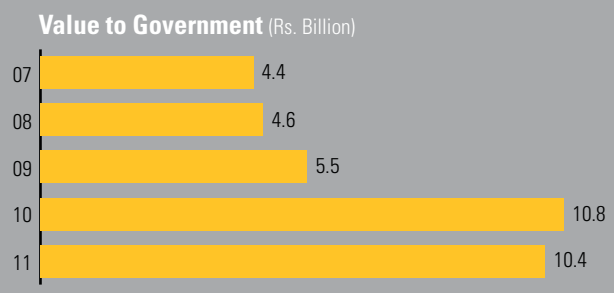
# Financial Highlights

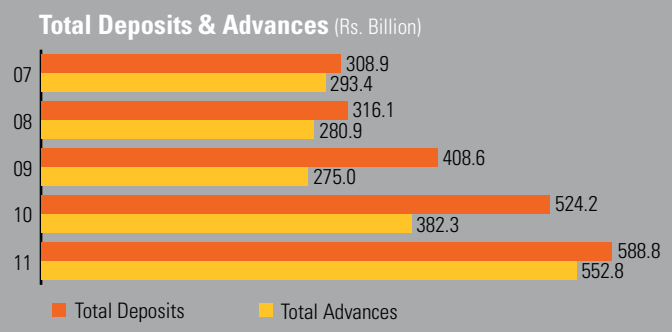
## Graphical Review

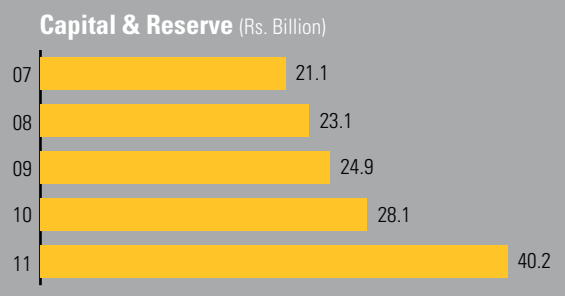


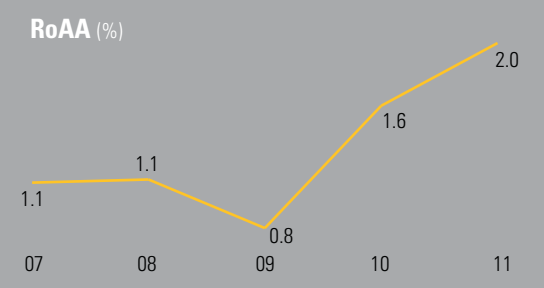



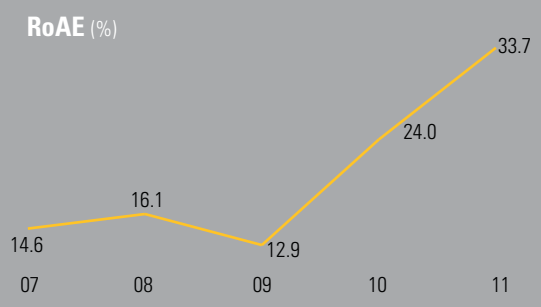



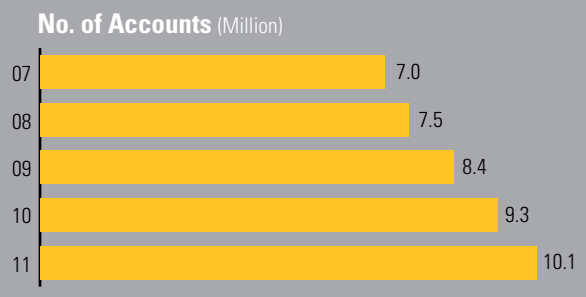



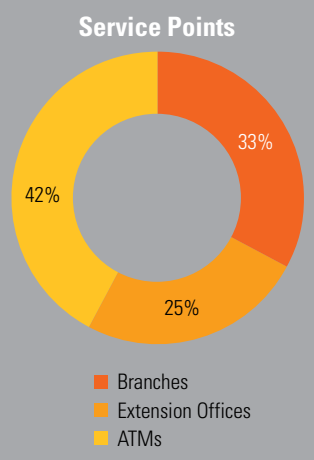



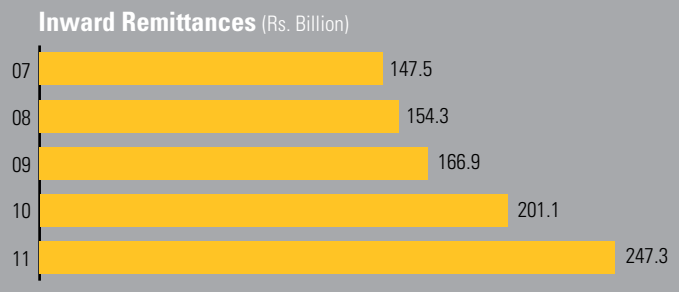



# Organic growth rooted in strong customer relationships.




Over
**10 Mln**
Customer Account Base

New Service Points added
**09 Branches**
**30 Service Points**
**52 ATMs**

Increase of
**Rs. 46 Bln**
23% Growth
Over 2010

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.

# Historical Review

**Bank of Ceylon has evolved continuously over the years, undergoing changes in its business operations, branch network, ownership, people, products and services to emerge as the largest financial service provider in Sri Lanka. Such progress is summarised below:**

**1939**
Bank of Ceylon establishes 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 opens in London shortly after Independence; it is the thirteenth bank branch to be opened.

**1953**
C Loganathan becomes first Sri Lankan General Manager.

**1954**
Central Office moves from City Office to premises at GOH Building.

**1959**
Authorised capital enhances to Rs. 50 million by Act of Parliament.

**1961**
Nationalisation. The Government of Ceylon becomes sole owner of Bank of Ceylon.

Kachcheri branch network set up in alignment with the Government's District Administration System.

**1973**
Agriculture Service Centre concept implements. Operations commence at over 350 Agricultural Service Centre Branches, with the implementation of Comprehensive Rural Credit Scheme.

**1978**
Non-Resident Foreign Currency (NRFC) deposit scheme introduced.

**1979**
Off-shore banking operations commence with the establishment of the Foreign Currency Banking Unit.

**1980**
Computer Division establishes; automation of business operations commences

**1981**
Branch opens 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.

**1989**
Ceybank Visa credit card introduces in collaboration with Visa International.

**1995**
Overseas branch network expands with offices in Madras and Karachi.

**1996**
Joint venture with Nepal Bank establishes Nepal Bank of Ceylon Limited.

**1998**
MoU with Government results in greater management autonomy and target-based performance.

**2000**
Authorised capital further enhances to Rs. 50 billion by Act of Parliament.

**2004**
Real estate subsidiary Mireka Capital Land (Private) Limited forms to invest in Havelock City, the largest single condominium development in Sri Lanka.

**2005**
Balance Sheet footings top Rs. 300 billion the largest asset base of any Sri Lankan bank. Wide range of relief, rehabilitation and reconstruction activities undertaken and financed in the aftermath of the December 2004 tsunami.

## 2006

Wins IBM/FISERV prise for the fastest implementation of an online core banking system in Asia Pacific region.

## 2007

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

## 2008

Raises Rs. 4.2 billion via a listed subordinated rupee debenture of 5 years; raises US$ 21.6 million via a private placement of a 5-year subordinated dollar debenture.

## 2009

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

## 2010

Converts the London branch to a Subsidiary of BoC to be used as a Gateway to EU. Establishes a specialised Investment Banking unit. Bank successfully raises Rs. 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 outlook which is the highest rating given to a local commercial bank in Sri Lanka, presently.

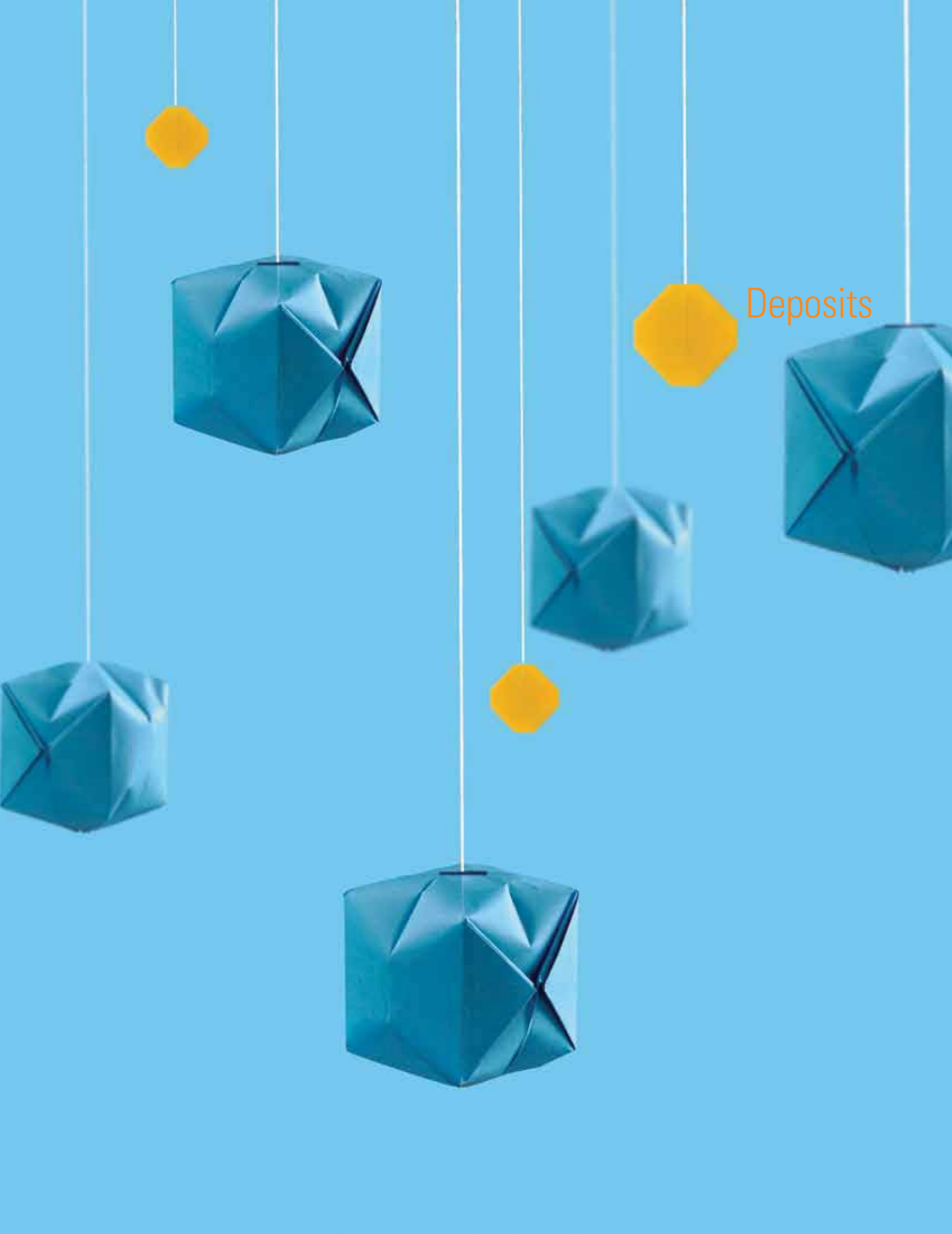
## The Bank moves a further step forward with introduction of on-line leasing system covering branch network.

## BoC opens Premier Banking Centre for Private Banking.

# Deposits

The Bank reduced interest rates in 2009 and continued to further reduce it in August 2011 which resulted in a significantly lower net interest margin. The Bank was geared to make this sacrifice in order to support the rapid development activities in the country. Our major objectives were not merely aimed at achieving profits, but also at being of immense service to the community at large.

We believe that this remarkable position is a testimony to the strength of our brand, public acknowledgement of our strong corporate governance practices, financial strength, as well as a good risk management framework which ensured that our exposure to volatile markets remained at the lower end of the industry average. This position of being in a strong footing is affirmed by our national long term rating which was upgraded to AA+ (lka).


Deposits

**Dr. Gamini Wickramasinghe**
Chairman

# Dear stakeholders

# Chairman's Message

*Dear stakeholders*

## Economic Environment

The global economic recovery was uneven throughout 2011, the year under review. Though global output was expected to grow in 2011, the advanced economies faced a sluggish recovery during 2011. Sri Lanka was not totally immune to the world economic and financial crisis as national exports were affected by low levels of consumer purchasing demand in global markets as well as the political turmoil in the Middle East. The domestic economy was also under pressure with the upward trend in the world crude oil prices and widening of the trade deficit. Moreover, the country endured further challenges on the domestic front due to adverse weather conditions. Given the above limitations, it was indeed an impressive effort by the nation to maintain an economic growth rate of over 8% for the second consecutive year in 2011.

Sri Lanka has emerged as a competitive force in the global economic landscape prompting investor appetite. The Government of Sri Lanka, under the Mahinda Chinthana framework for development, envisioned the transformation of the nation into an important economic nucleus of the world in the future. The steady economic growth during 2011 witnessed in Sri Lanka and the positive projections for 2012 confirms that the country is moving in the right direction. Furthermore, the Asian Development Bank has kept Sri Lanka's 8% growth forecast for 2011-12 intact, which is the second highest economic growth rate in 2011 among Asian countries.

## Bank's Performance

The Bank posted a strong balance sheet, an important factor that ensures the continuation of our partnerships with the private sector, thereby supporting operations in infrastructure development activities, provision of working capital and significant investments in government projects. The Bank also played a key role in other priority sectors such as tourism, fisheries, education, housing and construction. This was an important step when considering the government policies which promote greater private sector participation in economic activity. Our strategic moves towards the international banking arena helped us capture nearly half of the foreign remittance market and finance overseas projects.

One of the main policy challenges of the Government in an economic rebound through a high growth momentum has been to ensure a sustainable development trail through economic transformations of all provinces of the country. The Bank of Ceylon, aligned with the Government's pursuit of socio-economic development, took major strides to assist in the country's unprecedented demand for monetary support by easing loans as well as service provisions across the economy, especially in the North and East.

The Bank's well focused lending strategy provided us opportunities to expand our services in the market, serving all important sectors of the economy and providing financial support to the SME sector, an organic growth culture and agricultural and fisheries based banking activities. These were all articulated in our core business activities. The Bank's outreach revolved around products and services derived from agriculture and fisheries based activities such as boat repairs, mending nets, long line fishing and dairy development. Support rendered towards these sectors will be immensely beneficial as it will help to curtail milk and fishery product imports thereby reducing the foreign exchange outflow and ushering in a healthy and improved quality of life. The Bank also hopes to assist the country in enhancing export earnings through fishery product exports. In alignment with the Government's goal of improving domestic agriculture, the Bank provided continuous financial and advisory support across the entire value chain - producer to retailer, distributor to marketer - with the view of making the country's economy more self-sufficient and sustainable.

On a different policy perspective, the Bank has embarked on major Corporate Social Responsibility (CSR) projects in keeping with the country's productivity programmes. The Bank initiated a village development programme called Doramadalava in order to develop a few model villages in the Anuradhapura district. This concept aims to scale up agro-ecological practices, increase farm productivity, ensure food security and improve income and rural livelihoods.

In upholding its objectives of meeting the needs of the people and contributing to the country's sustainable economic development,

# Chairman's Message

the Bank's CSR initiatives also include educational outreach, health, environment protection, poverty alleviation, national heritage protection and cultural development.

As a result of the above activities, the Bank recorded a total asset growth rate of 17%, reaching Rs. 836 billion The advances grew at a higher rate of 44.6%, yet in spite of this recorded growth, the Bank ensured the good quality of its assets, limiting the non performing advances to 2.1%. The portfolio management ensured the volume decrease in non performing advances in absolute terms. The deposits in the Bank grew by 12%.

The Bank reduced interest rates in 2009 and continued to further reduce it in August 2011 which resulted in a significantly lower net interest income. The Bank was geared to make this sacrifice in order to support the rapid development activities in the country. Our major objectives were not merely aimed at achieving profits, but also at being of immense service to the community at large.

We believe that this remarkable position is a testimony to the strength of our brand, public acknowledgement of our strong corporate governance practices, financial strength, as well as a good risk management framework which ensured that our exposure to volatile markets remained at the lowest level. This position of being in a strong footing is affirmed by our national long term rating which was upgraded to AA+ (lka).

## Future Outlook

While a challenging outlook for 2012 is anticipated, effects of global economic slowdown caused by a faltering US recovery and crises in Europe and the Middle East can be impediments to the economic growth of our region. However, new opportunities should emerge, especially with the expected boom in the tourist industry intra regionally.

As Sri Lanka is blessed with a rich natural resource base and cultural heritage, we are certain to bring in more value added services in tourism, specifically eco tourism.
As we move forward, the Bank intends to capitalise on the development of tourism, thereby strengthening and sustaining its growth trajectory which will have multiplier effects on the Sri Lankan economy. Sri Lanka has achieved significant positions in global rankings, which include the Doing Business' Index, the Civic Engagement Index and the Global Competitive Index. The remarkable rate of tourist arrivals further establishes that we are on to a progressive path ahead.

The inflow of foreign investment will provide more opportunities for the Bank to engage with the private sector. Our plans to expand globally will divert our already increased banking business activities on to a whole new global platform and bring further foreign remittances to the country through a full-fledged world banking system.

The Bank's future strategic goals include achieving the broad based growth projections unveiled in the Government's Budget for 2012 which focus on sustainable growth, earmarking exports, agriculture, construction, infrastructure development, tourism, education and improving upon the government's policy of financial inclusion to promote the SME sector and micro entrepreneurship. The Bank of Ceylon became the first commercial bank to establish an SME Advisory Centre in Kurunegala last year and will continue to establish more centres that will assist in the SME expansion drive. The Bank's role in the development of Sri Lanka's socio-economic growth will aspire to increase accessibility to the domestic market. Overall, we are proceeding in the right direction to accomplish our set targets for 2012.

## Acknowledgements

I thank His Excellency, President Mahinda Rajapakse, who is also the Minister of Finance and Planning, the Deputy Minister of Finance and Planning, Secretary to the Ministry of Finance and Planning, Governor of the Central Bank of Sri Lanka, Auditor General, Attorney General and the respective officials for their guidance and support.

I thank my colleagues on the Board for their unstinted support and co-operation in their guidance over our long term strategic course. Their counsel has been invaluable in reaching our goals during a challenging period.

I thank the General Manager for her untiring efforts and effective management of the Bank to achieve an operational progress during the year. The Corporate and Executive Management and staff of the Bank of Ceylon have dedicated themselves wholeheartedly towards a rigorous path of progress which is much appreciated.

On behalf of the Bank of Ceylon, I extend my sincere thanks to our customers for their continued loyalty and patronage and we will continue to commit ourselves toward the delivery of exemplary banking services to them.

The myriad contributions by auditors, legal advisers, consultants, correspondents and external advisors is duly recognised and acknowledged with appreciation. The positive and important role played by the trade unions of the Bank is also deeply appreciated.

## Conclusion

With the anticipated development and robust economic growth, the banking industry in Sri Lanka has been presented with new opportunities. I am confident that the long term growth trajectory that the Bank has envisaged will be achieved and sustained. While we look back with pride at our achievements in the past year, the Bank of Ceylon now looks to the future with a firm determination to build on our successes and continue our services to the country and the people as "Bankers to the Nation."

**Dr. Gamini Wickramasinghe**
Chairman

16th March 2012
Colombo

# General Manager's Review

**Ms. W A Nalani**
General Manager/Chief Executive Officer

## Overview

Sri Lanka's economic growth momentum and the optimism in the business were the influencing factors that enabled the banking sector to be in good stead in 2011. With a sound capital base, liquidity strength and island wide reach, Bank of Ceylon was well positioned to penetrate into this rapidly growing economy and produce spectacular results in 2011, continuing its leading role as the major partner in economic progress and fulfilling customer expectations.

BoC concluded the year 2011 with remarkable achievements and many success stories. The Bank's rating was upgraded to AA+ with a Stable outlook by Fitch Rating Lanka Ltd. We are now the highest rated domestic commercial bank in Sri Lanka, a very significant recognition.

The Bank gained international acceptance as the 17th strongest bank in Asia and Pacific out of 500 Banks as rated by Asian Banker and we were deemed the number one brand in the country by Brand Finance UK. We emerged the winner of the banking sector at the National Business Excellence Awards in 2011 organised by The National Chamber of Commerce of Sri lanka. These recognitions and accolades were facilitated by the continuous performance improvement, service excellence and improved efficiency of the Bank, which enabled the Bank to retain its market leadership in many core banking activities by the end of 2011.

## Financial & Operational Performance

The Bank posted a profit before tax of Rs. 15.5 billion for the year 2011, the highest ever profit in its history, achieving a growth of 54.6% over the last year. Growth was recorded mainly from the Bank's core banking activities, resulting in an increase in both interest income and non-interest income.

The Bank's asset base grew by 16.9% reaching Rs. 836 billion at the end of the year. Gross loans and advances of the Bank grew by 44.6% and reached Rs. 552.8 billion, while the assets quality improved further through the reduction of the Non Performing Assets ratio to 2.1% in 2011 from 3.3% in 2010.

The Bank invested its resources to expand the branch network into rural areas across the Island, promoting financial inclusion. 9 branches, 30 extension offices and 52 ATMs were added during the year expanding our total customer service points to 318 fully fledged branches, 248 extension offices and 404 ATMs. Responding to business scaling up and changing customer needs, a Premier Banking Centre was set up in Colombo to cater to high net-worth customers. This will be rolled over to the provinces based on the needs assessment. In order to strengthen the SME sector which is a key driver of the economy, a dedicated advisory center for SMEs was established in Kurunegala, laying the foundation for setting up District SME Centres. Today we have the strongest domestic franchise with 966 customer service points.

Notwithstanding the capacity expansion, our operational efficiency improved further during the year with the cost / income ratio reducing to 51% in 2011, as the Bank reaped the benefits of connecting all branches on-line through the IT infrastructure. This substantially reduced the manual interventions and the associated operational risk to a great extent.

By the end of the year under review we maintained the largest international correspondence banking coverage. Our market leadership in inward remittances, NRFC deposits, trade finance activities, offshore banking operations and treasury operations too were strengthened further.

A good balance was maintained between key indicators such as the quality and growth of assets, capital, liquidity and profitability while continuing to manage non performing advances. Our average interest rates for lending continued to be lower and reduced further during second half of 2011, supporting our customers in all segments of the society, in their efforts to contribute to economic growth.



The individual strategic business units, Corporate & Offshore Banking, International, Investment and Treasury and Retail Banking performed well during 2011, reaping the results of the strategies adopted both in net interest income and fee based income generation. The credit growth in 2011 was primarily from the private sector contributions of both the Retail Banking and Corporate Banking segments.

Continued investments in information technology, human resources and infrastructure ensured a sustainable growth in our customer base across the board. We believe that these investments will generate further benefits in the future. Last year we recruited well-qualified and talented staff at different levels in order to prepare the Bank for future challenges.

The Bank's service excellence strategy helped consolidate our exceptional performance. Our retail channel and contact points for excellent service delivery, including our ATM network provided greater efficiency and effectiveness in order to offer superior services to our customers. The growth of electronic banking services was demonstrated by the presence of about 402 ATM points across the country at the end of the financial year. An end-to-end leasing solution was implemented in order to further improve our processes and customer service standards and over 100 branches were linked to this system in 2011 while we hope to complete rollover to the rest of the branches in 2012.

The Corporate Social Responsibility activities demonstrate the Bank's commitment to strengthening the socio economic development of the country by contributing towards the betterment of society. This is evidenced by the sustainability report, which is included elsewhere in this report.

I am proud to mention that our corporate plan launched in 2009 and reviewed annually has so far delivered promising results. I am confident that the plan will be fully achieved by end 2012 as envisaged, as the Bank's management team and the staff are committed to achieving the set goals.

## Overseas Branches and Subsidiaries

As further elaborated in the Management Discussion and Analysis, our overseas branches in Male and Chennai, performed well during the year achieving growth in assets and profits and they have promising prospects for 2012.

We witnessed good performances from our Subsidiaries and Associate entities in 2011, substantially improving their profitability and delivering group's performance targets. The Bank was able to realise improved dividends from group companies.

## Capital Adequacy

The total capital adequacy of the Bank is well within comfort levels, with further headroom in Tier II capital in the event the necessity arises. The Bank is now exploring avenues for strengthening the Tier 1 capital base, including the appropriate retention strategy to keep Tier I ratio above 10% by the end of 2012, keeping pace with the growth momentum and reckoning the systemic importance of the Bank.

## Future Prospects

The Bank expects to achieve a moderate growth in the year 2012 which is well articulated in our corporate plan and in accordance with the country's development plan. The Bank will adopt carefully chosen prudent strategies to achieve its projected results amidst the current challenges prevailing in the economy.

We will strive to continuously retain and further consolidate our market leadership. Since our goals for the future, as those in the past, are very ambitious, plans are already underway to develop international and treasury operations, enhance overseas correspondent relationships, expand the overseas staff strength to mobilise inward remittances enhancement and extend the ATM network.

The Bank aims to further improve service levels and operational efficiency through IT renaissance programme together with checks and balances, thus upgrading the quality of management information systems. Many more IT solutions related, to Risk Management, Anti Money Laundering and Asset & Liability Management are in our plans for 2012. We are in the process of further improving risk management systems to enhance risk management practices, management information on risk management and asset and liability management. Our preparation towards IFRS compliance is well within the time schedule.

We appreciate the responsibility of building the nation, cast on us as the leading financial institution and as a true partner in development, we will continue to support the nation achieve its socio-economic objectives.

## Appreciations

To our loyal customers, I gratefully appreciate the trust and confidence they placed in us this year, which led to further growth in the stellar performance of the Bank. Without them, we would not have achieved great results for the year 2011 and we wish to deliver continuously growing quality of service in the years ahead.

I am very grateful to the Secretary to the General Treasury, Ministry of Finance & Planning, the Governor of the Central Bank of Sri Lanka and the Auditor General, the Attorney General and all officials of these institutions for the support extended to us.

I would like to thank our Chairman and members of the Board of Directors for their stewardship and leadership to guide us continuously. I also thank the Chairman and members of the Board Sub-Committees including Corporate Governance, Risk Management, Audit, Human Resources and Remuneration for their valuable service during the year.

Our staff members together with the trade unions unleashed their dedicated support while maintaining the Bank's values and high standards. My sincere thanks are extended to them for demonstrating their continued loyalty, commitment and co-operation.

**W A Nalani**
General Manager

16th March 2012
Colombo

# Board of Directors

## Dr. Gamini Wickramasinghe
**Chairman**

Appointed as the Chairman of the Board of Bank of Ceylon in May 2007 and re-appointed in May 2010. Serves as an Independent Non-Executive Director.

Dr.Wickramasinghe brings to the Board business experience in both domestic and international markets with his extensive senior level experience obtained in the United Kingdom and Belgium. He was the Chairman of the Securities & Exchange Commission of Sri Lanka from 2006 to 2009 and the Insurance Board of Sri Lanka from 2006 to 2008.

He is the founder of Informatics Group of Companies, one of the largest software development houses in the country. He is also the Chairman of Bank of Ceylon (UK) Limited, Property Development PLC, Ceybank Holiday Homes (Private) Limited, Koladeriya Hydropower (Private) Limited and a Director of Mireka Capital Land (Private) Limited and The Lanka Hospitals Corporation PLC.

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

## Mr. S.R. Attygalle
**Ex officio Director**

Appointed as a Director to 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 a Director and Acting Chairman of National Savings Bank and a Director of Shell Gas Lanka Limited. He served as the Director General of the Department of Public Enterprises of the Ministry of Finance & Planning till the end of 2011.

He is presently a Deputy Secretary to the Treasury. He is also a Director of the Sri Lanka Ports Authority, a member on the Board of Postgraduate Institute of Science, University of Peradeniya and an observer on the Board of Investments of Sri Lanka.

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

## Mr. Raju Sivaraman
**Director**

Appointed as a Director to the Board of Bank of Ceylon in January 2006 and re-appointed in June 2007 and May 2010. Serves as an Independent Non-Executive Director.

Counting over 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 and Property Development PLC.

Mr. Sivaraman is the Associate Consultant of Plan 3 Architects in India and Managing Director of Arch-Triad Consultants (Private) Limited, an architectural consultancy firm since 1980. He is also the Chairman of Ceylease Financial Services Limited and also serves as a Director of Merchant Credit of Sri Lanka Limited and Milco (Private) Limited. He is the Managing Director of Ram Developers (Private) Limited. He served as a Member of the National Police Commission from 2006 to 2009 and is re-appointed in 2012. He also serves as a Council Member and Treasurer of the Sri Lanka Institute of Architects over a period of six years.

Mr.Sivaraman is a Chartered Architect holding a Master's Degree in Architecture (M.Sc. Arch.) 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**

Appointed as a Director to the Board of Bank of Ceylon in May 2010. Serves as a Non-Executive Director.

Ms.Abeywardene brings to the Board her experience in the field of commercial law and 25 years of management experience in the private sector tea industry. She was formerly attached to a leading legal firm in the country.

She was 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 Musaendapotta Estates (Private) Limited.

Ms. Abeywardene is an Attorney-at-Law.

## Mr. Chandrasiri de Silva
**Director**

Appointed as a Director to the Board of Bank of Ceylon in May 2010. Serves as a Non-Executive Director.

Being a practicing lawyer Mr. de Silva brings to the Board his specialized experience in law, as well as business, insurance, etc. He was a former 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 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.

## Mr. K.L. Hewage
**Director**

Appointed as a Director to the Board of Bank of Ceylon in June 2010. Serves as an Independent Non-Executive Director.

Mr. Hewage brings to the Board his experience of over 40 years in the spheres of consultancy, management, training, project finance, marketing, agriculture development and extension, planting, etc.

Mr. Hewage served as the Chairman of People's Merchant Bank PLC, the Chairman/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 Member of the Board of Directors of People's Bank, Janatha Estates Development Board and as the General Manager of Sri Lanka Institute of Co-operative Management.

He is the Chairman of Ceybank Asset Management Limited. He also serves as a Member of the Governing Council of the University of Visual and Performing Arts.

He holds a Bachelor of Science (B.Sc.) Degree in Bio Science from the University of Kelaniya, Sri Lanka and Master of Science (M.Sc.) Degree in Agricultural Extension from the University of Reading, United Kingdom.

## Mr. V. Kanagasabapathy
**Alternate Director**

Appointed as the Alternate Director to Mr. S.R. Attygalle, the Ex officio Director from July 2010. Serves as a Non-Executive Alternate Director to the Ex officio Director on the Board. He was also serving as the Alternate Director to former Ex officio Directors since March 2006.

Mr. Kanagasabapathy brings to the Board his wide experience in the public sector of over 35 years in several senior capacities such as Director/Additional Director General of Public Finance, Director General of Public Enterprises and Financial Management Reform Co-ordinator and Financial Management Advisor of the Ministry of Finance & Planning. He also served as a Director of People's Bank, State Mortgage & Investment Bank and Merchant Credit of Sri Lanka Limited.

He is presently the Senior Financial Consultant of the Academy of Financial Studies which is the training arm of the Ministry of Finance & Planning. He is a Director on the Boards of Merchant Bank of Sri Lanka PLC, Lanka Hydraulic Institute Limited, Hotel Developers Lanka PLC and De La Rue Lanka Currency and Security Print (Private) Limited. He is also the Chairman of the Distance Learning Centre, Council Member of The Institute of Chartered Accountants of Sri Lanka and The Institute of Public Finance and Development Accountancy. He is a Member of the National Salaries and Cadres Commission.

Mr. Kanagasabapathy is a Fellow Member of The Institute of Chartered Accountants of Sri Lanka and holds a Master's Degree in Public Administration from Harvard University, U.S.A. He is also a Fellow Member of 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.

## Ms. Janaki Senanayake Siriwardane
**Secretary to the Board/Secretary, Bank of Ceylon**
**Attorney-at-Law, LLB, MBA**

# Corporate Management

## Board of Directors (Contd.)

**Ms. W.A. Nalani**
**General Manager**

Appointed General Manager in August 2011. A member of the Corporate Management since 2002 and also held the positions of Senior Deputy General Manager and the Additional General Manager prior to appointment as the General Manager.

Joined the bank in April 1975. Ms. Nalani is a career banker with over thirty six years of experience in diversified fields such as corporate and offshore banking, credit recovery and retail banking. She was also actively involved in the implementation of IT solutions for trade finance activities in the bank.

She is a Non-Executive nominee Director on the Board of Merchant Bank of Sri Lanka PLC. She also serves as Director on the Boards of Credit Information Bureau, Institute of Bankers of Sri Lanka, BoC Travels (Private) Limited, BoC Property Development & Management (Private) Limited, Hotels Colombo (1963) Limited, Ceybank Holiday Homes (Private) Limited, Ceybank Assets Management (Private) Limited, Lanka Clear (Private) Limited, BoC Management & Support Services (Private) Limited and Bank of Ceylon (UK) Limited.

She is the President of the Association of Professional Bankers of Sri Lanka and Committee Member of the Alumni Organization, University of Colombo. She also serves as a Director on the Committee of Rotary Club of Colombo Central.

She was a co-winner of the "Zonta Award for Excellence" in banking category awarded by Zonta Club of Colombo for the year 2009.

She holds a Bachelor of Arts Degree in Economics and a Bachelor of Philosophy in Economics from the University of Colombo, Sri Lanka. She is also a Fellow Member of the Institute of Bankers of Sri Lanka.

**K. Dharmasiri**
**Additional General Manager (Recovery)**

Appointed Additional General Manager in June 2011, a member of the Corporate Management since 2002. He bears a First Class Honours Degree in Commerce in 1974 and holds a Bachelor of Philosophy in Economics in 1976 from the University of Colombo, Sri Lanka.

Mr. Dharmasiri brings a rich and diversified banking experience both locally and abroad, since joining the bank in 1975, which includes monitoring and restructuring of non performing assets, strategic planning, corporate financial reporting and reorganization of branches. He has also held key positions in Audit, Corporate & Offshore Banking. He held overseas assignments as the Country Manager at BoC branch in Male from 1997 to 2000 and Managing Director of Nepal Bank of Ceylon Limited in Nepal, in 2002.

A Non-Executive nominee Director on the Boards of Lanka Securities (Private) Limited and BoC Management and Support Services (Private) Limited. He also served as a Non-Executive nominee Director on the Boards of Janashakthi Insurance Company Limited, Ceybank Holiday Homes (Private) Limited, Hotels Colombo 1963 Limited, BoC Property Development (Private) Limited, BoC Travels (Private) Limited, Mireka Capital Land (Private) Limited, BoC Property Development & Management (Private) Limited and Sabaragamuwa Development Bank.

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

**C. Samarasinghe**
**Additional General Manager (Product & Development Banking)**

Appointed Additional General Manager in June 2011, a member of the Corporate Management since 2006. He holds a Bachelor's Degree in Arts (Special) with a Second Class from the University of Colombo, Sri Lanka in 1975 and also holds a Bachelor of Philosophy in Economics from the University of Colombo, Sri Laanka in 1976. Joined the bank in 1975.

In his current position he leads the retail and development banking activities including card business, electronic delivery channels, Bancassurance and Islamic Banking arm. Prior to the assignment of Deputy General Manager, Mr. Samarasinghe was instrumental in establishing a large financial house based in the Middle East and centralization of bank's back office functions. He has also served in Support Services, Recovery, Sales & Channel Management and Credit Cards.

He is the Non-Executive Chairman on the Board of Transnational Lanka Record Solutions (Private) Limited since 2006 and serves as a Non-Executive Director on the Board of Ceybank Holiday Homes (Private) Limited since 2010. A member of the Bankers Technical Assistance Committee since 2007, he also served as a Director on the Board of Merchant Credit of Sri Lanka from 2006 to 2008.

**H.M.A.B. Weerasekara**
**Additional General Manager (International & Treasury)**

Appointed Additional General Manager (International & Treasury) in August 2011, a member of the Corporate Management since 2006. Mr. Weerasekara joined the bank in May 1975, having graduated from the University of Colombo, Sri Lanka in Economics in 1972. Additionally, he holds a Bachelor of Philosophy in Industrial Management in 1974 from the same University.

His exposure to both the domestic and international arena has contributed significantly to sustain BoCs leadership position in treasury and international operations. He has extensive experience in trade finance, treasury operations, offshore banking, international, retail banking and investment banking. Mr. Weerasekara led the Recovery Division of the Bank in 2006. Prior to the assignment to the grade of Deputy General Manager in 2006, he served in the London branch and was successful in enhancing inward remittances and treasury activities of the bank. He played a pivotal role in subsidiarization of the BoC branch in London and expansion of the correspondent banking network.

He is a Non-Executive nominee Director on the Board of Merchant Credit of Sri Lanka (Private) Limited (MCSL) since 2006 and serves as the Chairman of both Audit & Risk Management Committees of MCSL.

**Ms. Deepa Wanniaratchi**
**Deputy General Manager (Finance & Planning)**

Appointed Deputy General Manager (Finance & Planning) in April 2008.

Joined the bank in May 1975. She holds a Bachelor's Degree in Commerce from the University of Peradeniya, Sri Lanka obtained in 1974. In 2004, she obtained a Postgraduate Diploma in Business & Financial Administration from the Institute of Chartered Accountants of Sri Lanka in association with the Cranfield University School of Management, UK.

She has wide experience in diverse fields such as managing large technology projects, bank restructuring under financial sector reforms, credit & recovery management and corporate & retail banking. Prior to the present assignment, she provided leadership to implement the bank's current core banking system island-wide, which was awarded by the Fiserv Aspac Private Limited & IBM Corporation as the fastest implemented core banking project in the Asia Pacific Region. Was instrumental in introducing a fully automated budgetary control mechanism in the core banking system across branch net work.

She is a Non-Executive nominee Director on the Board of BoC Travels (Private) Limited since December 2008 and served as a Non-Executive nominee Director on the Board of Property Development & Management Limited from 2006 to 2008.

She is an Associate Member of the Institute of Bankers of Sri Lanka.

**M.K. Nandasiri**
**Deputy General Manager (Support Services)**

Having 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, M.K. Nandasiri joined the bank in 1975. He holds the position of Deputy General Manager (Support Services) since May 2009.

His experience in both domestic and international banking operations has taken through management and leadership roles in the branch network. With his exposure towards trade finance, he provided the leadership to automate the trade finance operations in 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 was the Assistant General Manager (Pettah) prior to the present assignment.

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.

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

**H.M. Mudiyanse**
**Deputy General Manager (Sales & Channel Management)**

Mr. Mudiyanse joined the bank in August 1973 and was appointed as Deputy General Manager (Human Resource) in October 2010 and thereafter as Deputy General Manager (Sales & Channel Management) in August 2011.

His extensive experience in retail banking is held in good stead for managing and developing the bank's branch network in his present position. Prior to the present assignment, he provided leadership to North Western Province as the Assistant General Manager.

He has been an Alternate Director of the Institute of Bankers of Sri Lanka since October 2010. Mr. Mudiyanse 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, 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.

**P.A. Lionel**
**Deputy General Manager (Investments & Human Resource)**

Appointed Deputy General Manager in October 2010. Holds the position of Deputy General Manager (Investments & Human Resource) since August 2011. Previously held the position of Deputy General Manager (Investment Banking).

Joined the bank in 1983, Mr. Lionel is a career banker with over twenty eight years experience in banking and financial services. He has specialized in 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. He received broad exposure and extensive training in treasury management and forex dealing activities in London from 1998 to 1989. He served as Head of Treasury at the BoC branch in Karachi.

He is a Non-Executive Director on the Boards of Lanka Hospitals (Private) Limited since 2010, Property Development (Private) Limited since 2009 and Primary Dealer Association since 2007. He is also an Alternate Director of Ceybank Unit Trust since 2006 and 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.

**D.M. Gunasekara**
**Deputy General Manager (Retail Banking)**

Appointed Deputy General Manager in October 2010 and was in-charge of Sales & Channel Management until taking over of Retail Banking Division in August 2011. Mr. Gunasekara joined the bank in 1983 after having graduated from the University of Colombo, Sri Lanka with a Special Degree in Public Finance & Taxation in 1981.

Commencing his career with retail banking, Mr. Gunasekara has amassed a wealth of knowledge and experience in credit management and administration. Serving at the BoC London branch from 1997 to 2000, he obtained comprehensive experience in international banking operations. As an Associate Faculty Member of the Banks' Training Institute, Mr. Gunasekara has readily responded to uplifting the knowledge of the bank's staff.

He is a Non-Executive nominee Director on the Boards of Ceybank Asset Management (Private) 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 Merchant Credit of Sri Lanka from 2008 to 2009.

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

**Ms. Dayani Fernando**
**Deputy General Manager (Corporate & Offshore Banking)**

Appointed Deputy General Manager (Corporate & Offshore Banking) in September 2011. Ms. Dayani Fernando 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. Prior to present appointment, she served over five years as Assistant General Manager (Offshore Banking).

She has diversified experience in retail and corporate banking for thirty six years and has specialized in corporate credit management and administration. During her tenure at BoC London branch, she has acquired a thorough knowledge in overseas branch operations including trade finance.

She also serves as a member in the Technical and Evaluation Committee of Ceylon Petroleum Corporation and as a Non-Executive nominee Director of Ceylease Financial Services Limited and affiliate of BoC, for the past three years.

She is an Associate Member of the Institute of Bankers of Sri Lanka.

**K. Gamage Jinadasa**
**Chief Legal Officer**

Appointed Chief Legal Officer in August 2011. Mr. Gamage is an Attorney-at-Law and also holds a LLB Degree from the University of Colombo, Sri Lanka.

He joined the Legal Department in 1980 and was a Deputy Chief Legal Officer since 2002. Has acquired diversified experience in recovery, industrial relations and human rights. Prior to joining the legal department, he had served in retail banking segment of the bank.

He is also a Faculty Member at the Central Training Institute of the Bank.

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

Appointed as Secretary to the Board/Secretary, Bank of Ceylon in December 2005. Joined Bank of Ceylon in 1996. She also serves as Secretary to all the subcommittees of the Board.

She is an Attorney-at-Law by profession and was a practicing lawyer. She also holds a Bachelor's Degree in Law and a MBA from the University of Colombo, Sri Lanka.

Immediately prior to joining the bank, Ms. Siriwardane was employed in the private sector handling company secretarial work. She was also a visiting lecturer, examiner and moderator on Commercial and Industrial Law at the Industrial Management Department of the University of Kelaniya, Sri Lanka. She is also the Company Secretary for some of the Subsidiaries of the Bank.

# Corporate Management

### W.A. Asoka Rupasinghe
**Chief Financial Officer**

Appointed as Chief Financial Officer in October 2009. Graduating from the University of Sri Jayawardanapura Sri Lanka, Mr. Rupasinghe holds a Special Degree in Business Administration in 1991 and a MBA in Finance from the University of Southern Queensland Australia in 2007.

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.

A Non-Executive nominee Director of Ceylease Financial Services Limited since March 2010, Mr. Rupasinghe is also a Fellow Member of The Institute of Chartered Accountants of Sri Lanka.

### Trevine Fernandopulle
**Chief Risk Officer**

Graduated from Imperial College, London with a Bachelor of Science in 1977 in addition to a Master's Degree in Statistics from the London School of Economics in 1978, Mr. Fernandopulle joined the bank as the Chief Risk Officer in May 2009 after retirement from the services of HSBC as Deputy CEO Sri Lanka.

In a Banking career spanning thirty one years, he has specialized in corporate banking and risk management whilst acquiring wide experience in all aspects of commercial banking, including treasury, corporate, retail and international trade. He was seconded to the Saudi British Bank an associate of HSBC Holdings PLC, UK, as Manager Corporate Banking Eastern Province Saudi Arabia and was responsible for re-structuring the Credit Control & Credit Risk Departments.

He played a pivotal role in the successful issue of the debut sovereign bond for USD 500 Million for the Government of Sri Lanka in 2007.

Mr. Fernandopulle is a Trustee of Joseph Fraser Memorial Hospital since 2010, President of Sri Lanka branch of the Chartered Institute of Bankers, London since 2009 and a Fellow of the Chartered Institute of Bankers, London.

### Dr. W.G. Karunadasa
**Chief Internal Auditor**

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

Dr. Karunadasa has over thirty one 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. Further, he 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 Jayawardenapura, 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.

### Rohan Peiris
**Head of Information Technology**

Joined Bank of Ceylon in February 2009, as the Head of Information Technology, from his previous position at DFCC Vardhana Bank.

Mr. Peiris holds a Master's Degree in Information Technology from Keele University, UK in 2002.

Counting over twenty nine years experience in the fields of data processing and information & communication Technology, he is specialized in software development & project management and pioneering in facilities management.

He also served at Pan Asia Bank and Merchant Bank of Sri Lanka. He was appointed as the National Consultant on IT Projects funded by United Nations Industrial Development Organization (UNIDO) in 1990 and served in many committees of national interest. He is also Information Technology Infrastructure Library (ITIL) certified. He is also a Chartered member of the British Computer Society.

### Dr. Lionel Siriwardena
**Head of Research & Development**

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

Dr. Siriwardena has over twenty two 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 was also 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.

Our people are our greatest strength. It is our common cause to deliver 'Many things to many people'...

# Executive Management Team

01. *Ms. Y A M M P Karunadharma*
AGM - Metropolitan Branch

02. *Ms. R G V S Gunathilake*
AGM - Credit Audit

03. *Ms. W K I Kularatne*
AGM - Western Province North

04. *Mr. P J Jayasinghe*
AGM - Corporate Credit

05. *Mr. H K W Gunasinghe*
AGM - Product & Development Banking

06. *Ms. K A D A Pemadasa*
AGM - Administrative Services

07. *Mr. K B S Bandara*
Country Manager - London

08 *Mr. D N J Costa*
AGM - North Central Province

09. *Mr. W P R P H Fonseka*
AGM - Budget & Strategic Planning

10. *Mr. T Mutugala*
AGM - Information System Audit

11. *Mr. D N L Fernando*
AGM - Western Province South

12. *Mr. K T Karunaratne*
AGM - Support Services

13. *Mr. D M L C Kumara*
AGM - Country Manager - Male

14. *Mr. T M Safa*
AGM - Country Manager - Chennai

15. *Mr. W G Ariyaratne*
AGM - International

16. *Mr. G H Chandrasiri*
AGM - Business Process Re-EngineeringProject

17. *Mr. M L J Fernando*
AGM - Risk Management/Compliance

18. *Mr. G L P Jinasoma*
AGM - Uva Province

19. *Mr. S M S C Jayasuriya*
AGM - Treasury

20. *Mr. G D Silva*
AGM - Training & Development

21. *Mr. C W Welagedara*
AGM - Eastern Province

22. *Mr. D P K Gunasekera*
AGM - Corporate Relations

23. *Mr. K E D Sumanasiri*
AGM - Northern Province

24. *Mr. W M S Wanasinghe*
AGM - BoC Card Centre

# Executive Management Team

*25. Mr. D K N Piyasoma*
AGM - Southern Province

*26. Mr. E M U Bandara*
AGM - North Western Province

*27. Mr. H G Nihal*
AGM - Superannuation Schemes

*28. Ms. S S Ekanayake*
AGM - Marketing

*29. Ms. H M Ratnayake*
AGM - Accounting & MIS

*30. Ms. C K Jayarathne*
AGM - Pettah Branch

*31. Mr. T P G Ranaweera*
AGM - Consumer Product Management

*32. Mr. L G N Cyril*
AGM - Human Resource Operations

*33. Mr. R M Haputhanthri*
AGM - Overseas Branches

*34. Mr. H S Jayawardana*
AGM - Investment Banking

*35. Mr. P M Premadasa*
AGM - Sabaragamuwa Province

*36. Mr. M A Sumanaratne*
AGM - Recovery (Provinces)

37. *Mr. W C K Wickramarachchi*
AGM - Branch Credit

38. *Ms. E M S K Dangampola*
AGM - Central Province

39. *Mr. D M G C Devasinghe*
AGM - Trade Services

40. *Mr. J M D B Jayasundera*
AGM - Province & Branch Audit

41. *Ms. S H Ranawaka*
Deputy Chief Legal Officer (Credit)

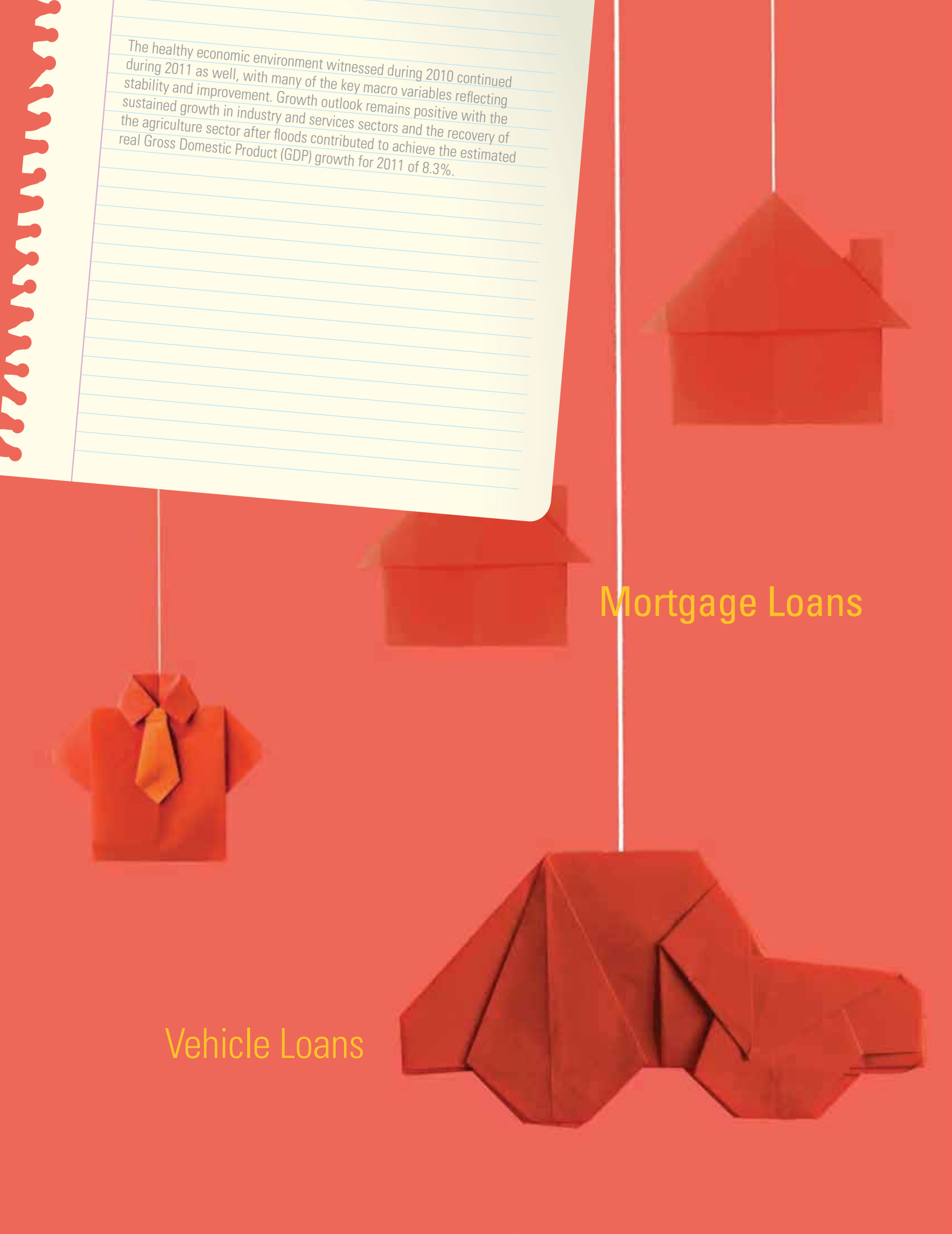
42. *Mr. H R F Fonseka*
Assistant Director IT
(Operations/Tech.Support)

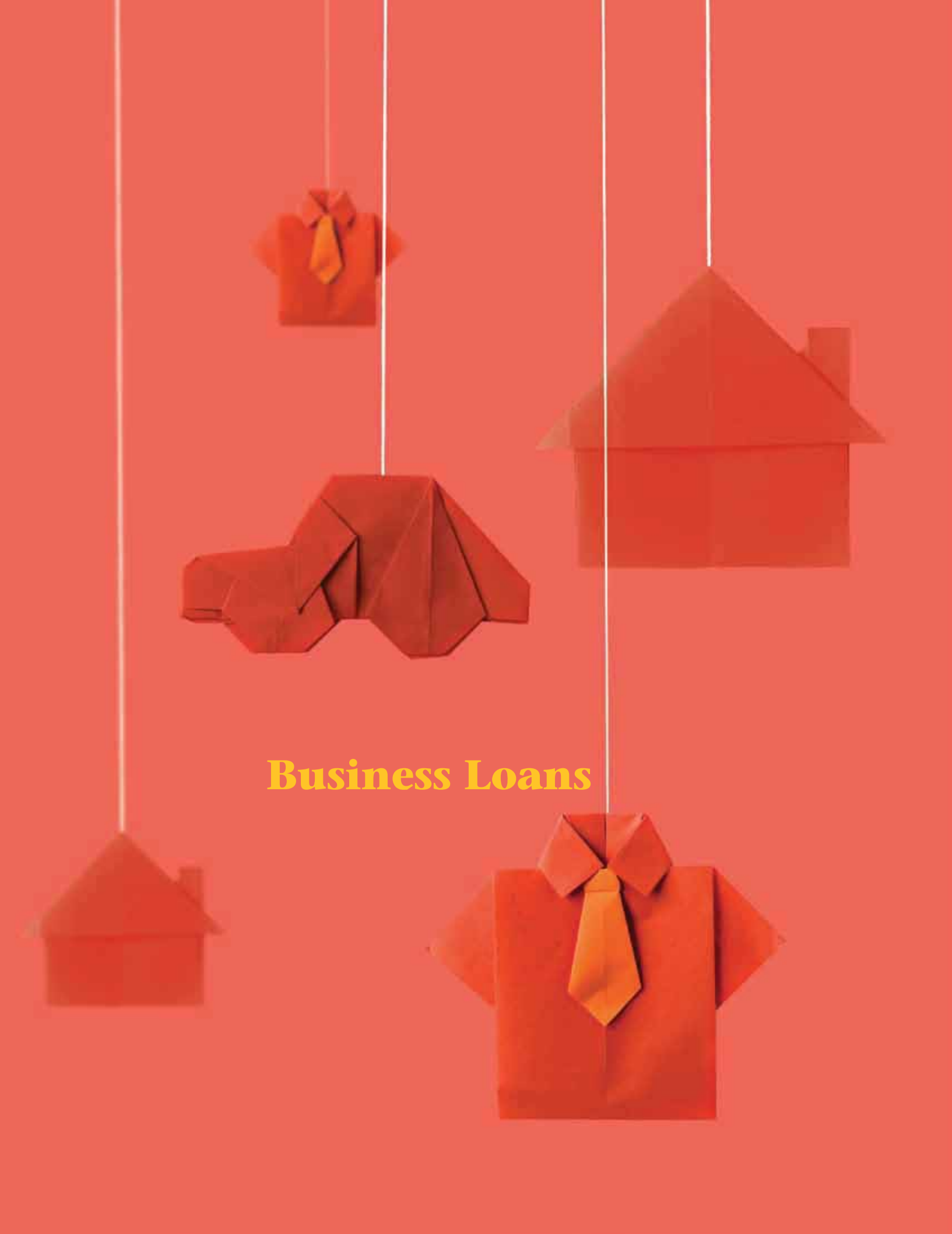
43. *Mr. Jagath Kurundukumbura*
Assistant Director IT/
(Operations/Tech. Support)

44. *Ms. M Gunasekera*
Deputy Chief Legal Officer
(International & Investment Banking)

45. *Ms. N T S H Silva*
Deputy Chief Legal Officer (Recovery)

The healthy economic environment witnessed during 2010 continued during 2011 as well, with many of the key macro variables reflecting stability and improvement. Growth outlook remains positive with the sustained growth in industry and services sectors and the recovery of the agriculture sector after floods contributed to achieve the estimated real Gross Domestic Product (GDP) growth for 2011 of 8.3%.





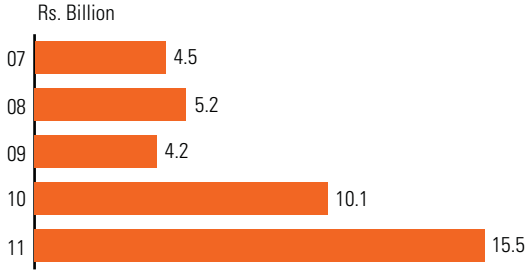
# Business Loans

# Management Discussion & Analysis

gement
sion &
is

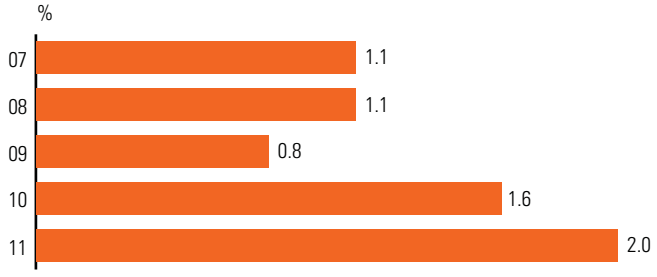
# Profit before Tax

## Profit before Tax was up by Rs. 5,493 million from 2010 as a result of increase in business volumes, interest spread and fee based income with control of expenditure.



## Interest Spread

The Bank shows an improvement in interest spread over the previous year mainly due to bank's ability to source funds at competitive prices both locally and internationally.

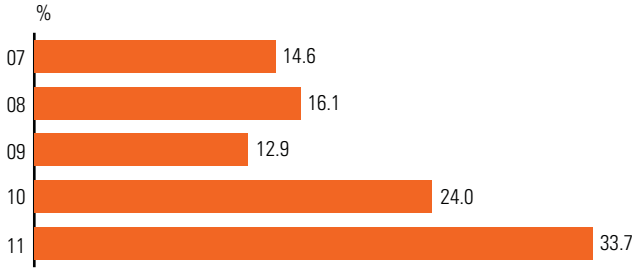



## Return on Average Assets

Bank's continuous profitable asset allocation to the appropriate yield structure together with sustaining expenses resulted in the improved RoAA.

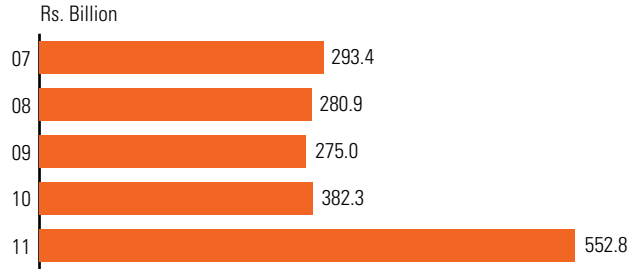
## Return on Average Equity

Profitability, as measured by RoAE was 33.7% at the end of 2011 recording an impressive growth by 9.7% over the previous year as a result of increased after tax profit.



## Net Interest Margin

Net interest margin improved to 3.2% as a result of change in the funding structure and bank's sound asset allocation exercise.

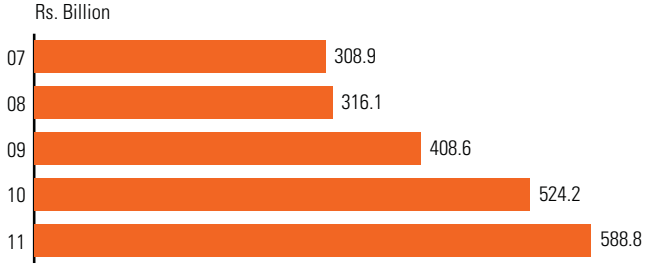


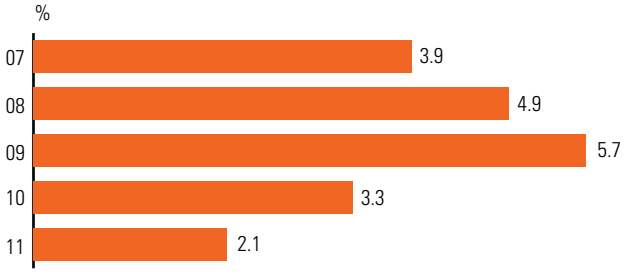

# Gross Loans & Advances to Customers

The Bank's Gross Advances reached to Rs. 552.8 billion at the end of 2011 showing a 45% growth compared to last year. Growth mainly came from private sector.

# Deposit from Customers

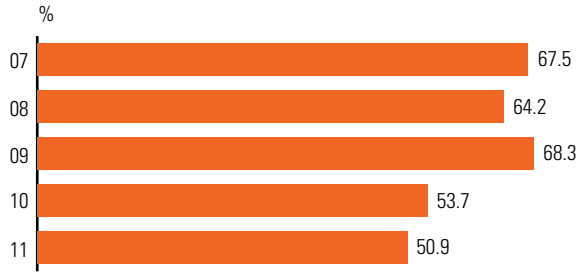
The deposit base of the Bank grew by 12.3% over the previous year. During the year banking sector encountered stiff competition from non banking institutions in mobilising deposits and new competitors entered the market thereby posing more challenges to our deposit growth.




# Non-performing Advances Ratio

The Bank successfully managed to sustain its NPAs which was reduced from 3.3% in 2010 to 2.1% in 2011. The reduction is mainly due to improved recoveries and sound credit risk management measures.

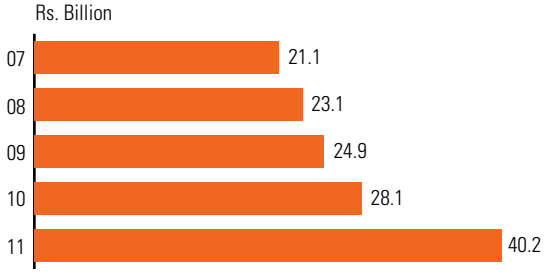


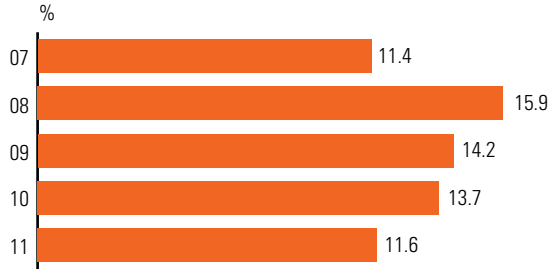

## Cost to Income Ratio

The Bank's Cost to Income ratio is improving as a result of growth in income and controlled operating expenses.

## Capital & Reserves Attributable to the Equity Holders

The Shareholders' equity of the Bank reached to Rs. 40.2 billion at the end of year 2011 reflecting a growth of 42.8%. This is mainly due to retention of profit and surplus on revaluation of assets.



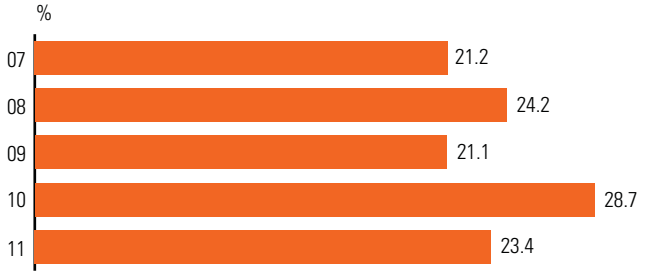




## Total Capital Adequacy Ratio

Due to the assets growth in 2011 the capital adequacy was reduced to 11.6%. Regulatory Minimum is 10%.

## Statutory Liquid Assets Ratio

The Bank maintained a sound liquidity well above the regulatory limit of 20%



# Economic Background & Operating Environment

## Global Growth Context

Global growth is entering a critical new phase and likely to slow down during this decade to approximately 3 percent per year on average rate somewhat below the average of the last two decades. Global activity has weakened and become more uneven, confidence has fallen sharply, and downside risks are growing according to IMF. Apart from the risks associated with slowing down of the output growth, the biggest risk ahead for the global economy is a slowdown in average output per capita, which will determine how fast living standards can be supported and raised.

Global growth has decelerated from the level reported in 2010 and maintained around 3.8% in 2011. The output of emerging and developing economies expanded 6.2% in 2011 whilst advanced economies grew at only 1.6%.

Most of the advanced economies are facing a sluggish growth and high unemployment rate. The US economy is not in good shape, while the European Union is bamboozled with a fiscal deficit and a debt crisis. The disturbance caused by the March 2011 Japanese tsunami was stronger than anticipated. Growth in emerging and developing economies is also expected to grow slowly because of the worsening external environment and a weakening of internal demand. China and India grew by 9.2% and 7.4% in 2011 lower than expected.

## Sri Lanka's Economic Environment

The healthy economic environment witnessed during 2010 continued during 2011 as well, with many of the key macro variables reflecting stability and improvement. Growth outlook remains positive with the sustained growth in industry and services sectors and the recovery of the agriculture sector after floods, contributed to achieve the estimated real Gross Domestic Product (GDP) growth for 2011 of 8.3%.

A significant contribution to the growth emanated from the services and industry sectors expected to grow by 8.6% and 10.1% respectively in 2011, whilst the agriculture sector is estimated to grow by 2.0%. Employment generation due to infrastructure development, reconstruction and expansion of economic activities supported unemployment to remain around recorded low levels of below 5%.

A considerable increase in export earnings and rapid increase in import expenditure in 2011 resulted in recording the highest ever trade deficit and remained the major concern for the economy. For the first eleven months, the trade deficit of USD 8.8 billion already doubled the 2010 value and kept pressurising the exchange rate, reserves and foreign debt component. During the same period, export earnings increased by 22.2% to USD 9.6 billion and import expenditure jumped by 53.2% to USD 18.4 billion widening the deficit of the trade account by 111.3%. A year-on-year growth of 23.8% to USD 4.6 billion in worker remittances during the first eleven months of 2011 was the main portion in compensating the expanding trade deficit. The foreign reserves with Asian Clearing Union (ACU) recorded the highest value of USD 8.1 billion in July. Since reduced to USD 6.2 billion by November, losing reserves in the process of rupee defend intervention. Tourist arrivals were up 30.8% to 855,975 in 2011, achieving the highest arrivals in history.

As a precautionary action to avoid further external imbalances, government decided to devalue the Rupee by 3% by Budget 2012. The Rupee appreciated against the US Dollar by 0.5% until it depreciated by 3.2% afterwards at end 2011. The Rupee appreciated against the Euro by 0.1% and depreciated against Sterling Pound by 2.4% and Japanese Yen by 7.8% by end 2011.

A private sector credit expansion has climbed to record high levels with 33.3% year-on-year growth in November. Broad money supply (M2b) has already recorded a year-on-year growth of 19.8% in October which was considerable higher than the projected levels. Even with these inflationary pressures, the annual average inflation has continued to remain in single digit recording 6.7% in December.

The fiscal policy in 2011 was to maintain the budget deficit below 7% of GDP. A substantial improvement in government revenue with the high economic activities helped to improve the overall fiscal situation. Revenue deficit to GDP is expected to improve to 1.5% of GDP from 2.1% recorded in 2010 while the Debt to GDP ratio to fall to an estimated 78.2% in 2011.

The policy interest rates remained at low levels and unchanged after one downward adjustment in January. Following the policy rates market interest rates adjusted to maintain the low interest regime until the Rupee depreciation in November. This upward pressure was immediately reflected in market

# Management Discussion & Analysis

interest rates as monthly Average Weighted Prime Lending Rate (AWPLR), which serves as a benchmark for selected lending rates, touched 10.8% and the monthly Average Weighted Deposit Rate (AWDR), which reflects the movements of interest rates of all interest bearing deposits held by commercial banks, surpassed 7.2% by end 2011.

The financial system was further improved during the year as reported by capital, asset quality and profitability. The banking sector recorded substantial growth driven by higher credit growth and expanding economic activities.

### Economic Outlook for 2012

The Sri Lankan economy is projected to grow by 7.2% in 2012 supported by all three main sectors of the economy. Inflation is expected to remain within single digit. Depreciation of the Rupee would ease the pressure on reserves. Under these circumstances stress on US Dollar liquidity would further increase if dollar inflow dropped below its expected level.

# Financial Review

**Profit Before Tax**
**16% over the budget**

**Rs.15.5 Bln**
**YOY up 55%**

**Total Assets -**
**1% below the budget**

**Rs. 835.5 Bln**
**YOY up 17%**

**Total Deposits**
**5% below the budget**

**Rs. 588.8 Bln**
**YOY up 12%**

**Gross Revenue**
**1% over the budget**

**Rs. 71.4 Bln**
**YOY up 13%**

**Total Loans**
**9% over the budget**

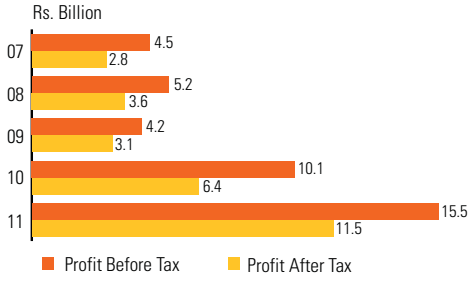
**Rs. 552.8 Bln**
**YOY up 45%**

**NPA improved**

**2.1%**
**from 3.3% last year**

## Profitability

The Bank reported a pre tax profit of Rs.15.5 billion by achieving the remarkable growth of 54.6% over the previous year. The net profit after tax for the Bank stood at Rs. 11.5 billion despite the negative contribution from both mark to market valuation of shares and financial instruments. The RoAA increased to 2.0% from 1.6% while RoAE increased from 24.0% to 33.7%. The NIM of 2011 was 3.2% and cost to income ratio decreased by 2.8% contrast to the year 2010.

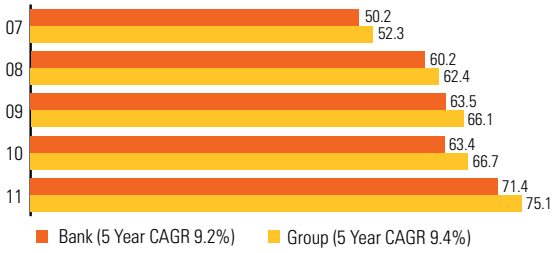



*Compounded annual growth for the profit before tax for last five years was 36.2% while 41.9% for profit after tax.*

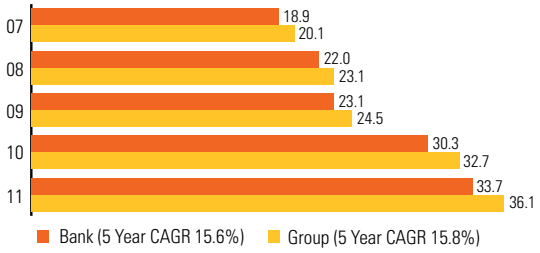
## Income

Total revenue of the Bank reached to Rs 71.4 billion while group income reached to Rs.75.1 billion as a result of sustainable core banking activities with a slight increase in exchange income due to depreciation of Sri Lankan Rupee against the USD. Increase in fee income by 18.8% over the previous year also contributed to the growth.

**Total Income for Five Years** (Rs. Billion)




**Net Operating Income for Five Years** (Rs. Billion)



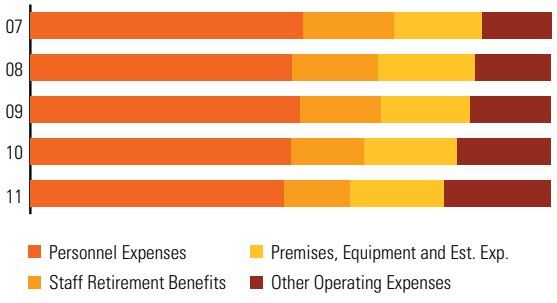

| | Rs. Million | | | | |
|---|---|---|---|---|---|
| | 2007 | 2008 | 2009 | 2010 | 2011 |
| Net fee and commission income | 2,571 | 3,455 | 3,711 | 5,545 | **6,636** |
| Foreign exchange profit | 1,179 | 2,887 | 1,567 | 409 | **1,746** |
| Dividend income | 425 | 401 | 348 | 469 | **713** |
| Net gains from investments in securities | 1,199 | 581 | 1,961 | 3,106 | **(1,271)** |
| Other operating income | 687 | 946 | 753 | 1,151 | **1,377** |
| Net interest income (%) | 67.9 | 62.4 | 64.0 | 64.8 | **72.7** |
| Non interest income (%) | 41.7 | 47.8 | 44.9 | 41.3 | **31.5** |

*Composition of non-interest income to the net operating income dropped to 31.5% from 41.3%. The main reason for this drop is a negative contribution from net gain from investment in securties as a result of mark to market loss of securities held for trading.*

## Operating Expenses

| | Amount Rs. Million | | Increase/ (Decrease) Rs. Million | Composition % | |
|---|---|---|---|---|---|
| | 2011 | 2010 | | 2011 | 2010 |
| Staff expenses | **10,365** | 10,310 | 55 | **61** | 64 |
| Premises, equipment and establishment (excluding depreciation) | **2,145** | 2,016 | 129 | **13** | 13 |
| Depreciation/Amortisation on fixed assets | **913** | 842 | 71 | **5** | 5 |
| Other operating expenses | **3,474** | 2,908 | 566 | **21** | 18 |
| Total operating expenses | **16,897** | 16,077 | 820 | | |
| Cost-to-income ratio (%) | **50.9** | 53.7 | (2.8) | | |

**Cost Structure**




*The operating expenses were contained during the year with a 5.1% increase. The increase in the expenses was mainly due to bank's branch expansion and the cost of deposit insurance scheme introduced in 2011 by Central Bank of Sri Lanka*

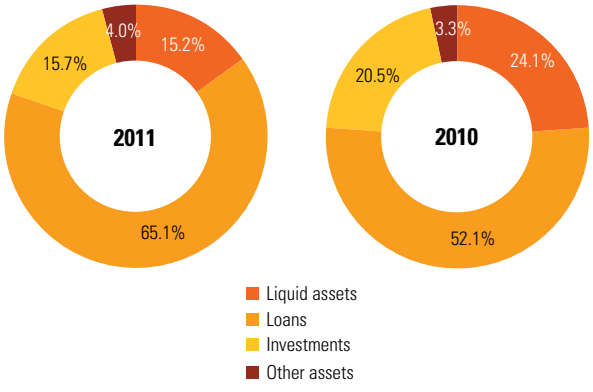
# Management Discussion & Analysis

## Financial Position

| As at 31 December | 2011 Rs. Million | 2010 Rs.Million |
|---|---|---|
| Cash and balances with banks and financial institutions | **49,098** | 39,998 |
| Placements with banks and financial institutions | **14,545** | 42,680 |
| Investments | **193,383** | 195,222 |
| Securities purchased under re- sale agreements | **1,075** | 40,840 |
| Loans & advances | **543,652** | 372,722 |
| Fixed assets and investment properties | **10,938** | 5,786 |
| Other assets | **22,849** | 17,706 |
| Total assets | **835,540** | 714,954 |
| Deposits from customers | **588,765** | 524,233 |
| Borrowed funds | **93,674** | 52,445 |
| Securities sold under re- purchase agreements | **48,724** | 53,522 |
| Tax payable & deffered tax liabilities | **2,247** | 2,658 |
| Debentures | **41,366** | 38,706 |
| Other liabilities | **20,601** | 15,258 |
| Total liabilities | **795,377** | 686,822 |
| Capital and reserves attributable to the equity holders of the Bank | **40,163** | 28,132 |
| Total liabilities and equity | **835,540** | 714,954 |
| Loans - to - deposit ratio (%) | **93.9** | 72.9 |

Total assets of the Bank stood at Rs. 835.5 billion as 31st December 2011 up by Rs. 120.6 billion or 16.9% YOY.

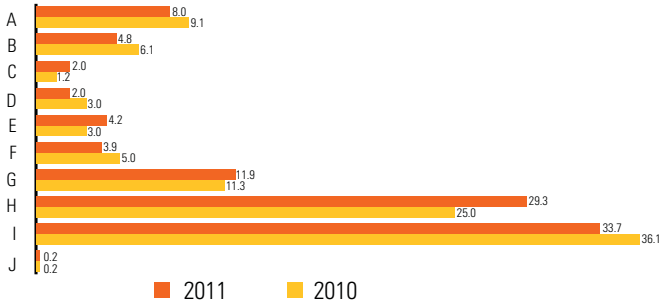
## Composition of Assets




The overall assets structure of the Bank improved during the year with the growth in high yield assets such as advances to customers as well as investment in securities. Of the loan, the increase is mainly on the better yielding assets such as pawning and leases. Cash and balance with other bank's and financial institutions increased by 22.8% YOY to Rs. 49.1 billion due to maintenance of sound liquidity position throughout the year.

The Bank's loan portfolio exceeded the Rs.500 billion mark during the year to reach 552.8 billion recording a YOY growth of 44.6%. The private sector credit growth which is the major contributor was 50.0 % over 2010. This was mainly contributed by our retail sector which grew by 69.3%. As part of the credit concentration which appears below, a balanced credit growth was emphasised while some sectors such as manufacturing, housing, consumption and others showed a relatively higher growth.

## Credit Concentration (%)




A - Export & Import
B - Wholesale & Retail
C - Banking, Finance and Insurance
D - Agriculture & Fisheries
E - Manufacturing
F - Hotels, Travel & Services
G - Housing
H - Consumption & Others
I - Government & SOE's
J - Foreclosed Properties

| Assets | 2011 | | 2010 | | 2009 | | 2008 | | 2007 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Average balance | | Average balance | | Average balance | | Average balance | | Average balance | |
| | Rs.Million | rate | Rs.Million | rate | Rs.Million | rate | Rs.Million | rate | Rs.Million | rate |
| Loans & advances to customers | **458,187** | **9.4%** | 318,894 | 11.0% | 268,085 | 13.9% | 277,801 | 12.5% | 253,867 | 12.2% |
| Investment securities & other interest earning assets | **227,816** | **7.7%** | 236,840 | 6.6% | 184,679 | 8.6% | 132,001 | 11.4% | 108,611 | 10.3% |
| Total interest earning assets | **686,003** | **8.9%** | 555,734 | 9.1% | 452,764 | 11.7% | 409,802 | 12.1% | 362,478 | 11.7% |
| Non interest earning assets | **89,245** | | 70,864 | | 58,545 | | 51,337 | | 45,622 | |

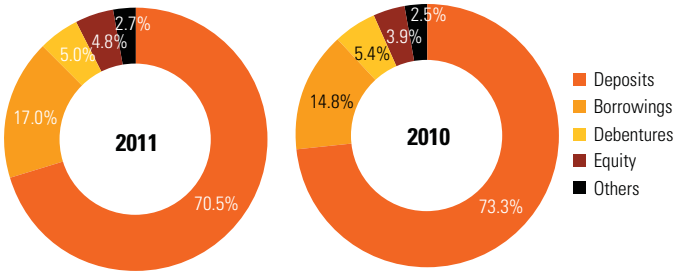
*(Note: Average balances were taken with opening and closing balances only)*

*The Bank continued to maintain a lower level of interest rates throughout the year in order to support development activities of the country. The table above bears testimony to the consecutive reduction in lending rates over 3 years.*

## Funding

| Liabilities | 2011 | | 2010 | | 2009 | | 2008 | | 2007 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Average balance | | Average balance | | Average balance | | Average balance | | Average balance | |
| | Rs.Million | rate | Rs.Million | rate | Rs.Million | rate | Rs.Million | rate | Rs.Million | rate |
| Deposits from customers | **465,561** | **5.3%** | 394,143 | 5.6% | 310,870 | 8.5% | 263,843 | 8.0% | 235,829 | 7.3% |
| Borrowed funds | **73,060** | **3.8%** | 42,772 | 4.4% | 47,199 | 3.6% | 48,684 | 5.3% | 35,064 | 8.0% |
| Debentures and other interest bearing liabilities | **91,159** | **9.5%** | 72,239 | 10.0% | 60,019 | 16.9% | 62,894 | 19.8% | 54,448 | 17.1% |
| Total interest bearing liabilities | **629,780** | **5.8%** | 509,154 | 6.1% | 418,088 | 9.2% | 375,421 | 9.6% | 325,341 | 9.1% |
| Non interest bearing liabilities | **145,467** | | 117,444 | | 93,221 | | 85,718 | | 82,759 | |

*(Note: Average balances were taken with opening and closing balances only)*

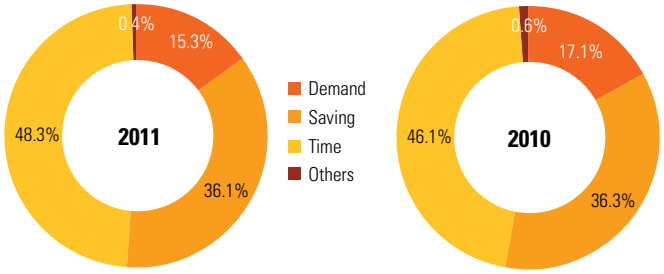



*A significant portion of the Bank's funding ie. 70.5 % comprise customer deposits as a result of the Bank's additional effort on deposit mobilisation. However the reduction in the deposit in the funding mix from 73.3% of 2010 to 70.5% in 2011 was mainly due to additional funding sourced from borrowing instruments. The Bank raised Rs. 5.0 billion through subordinated debentures listed on Colombo Stock Exchange in November 2011 by strengthening the subordinated capital of the Bank. The issue was oversubscribed, further consolidating investor confidence.*

# Management Discussion & Analysis

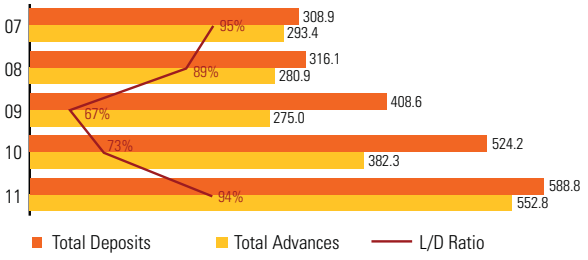
## Deposit from customers

Deposits from customers increased YoY by Rs.64.5 billion,12.3% to Rs. 588.8 billion. The composition of demand deposits reduced to 15.3% from 17.1% last year, while time deposits increased to 48.3% from 46.1% in 2010. The time deposit component was increased to bridge the tenor gap and enabled the Bank to offer medium to long term credit.

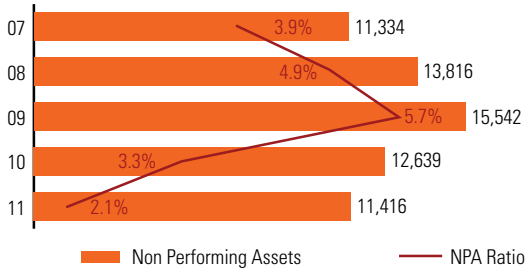



| Average balances | 2011 | | 2010 | |
|---|---|---|---|---|
| | Volume Rs.Million | Interest Cost Rs.Million | Volume Rs.Million | Interest Cost Rs.Million |
| Current deposits | **89,661** | **-** | 72,277 | - |
| Saving deposits | **201,190** | **8,771** | 176,145 | 7,589 |
| Time deposits | **262,819** | **15,995** | 215,600 | 14,411 |
| Other deposits | **2,829** | **75** | 2,398 | 69 |
| Total | **556,499** | **24,841** | 466,420 | 22,069 |

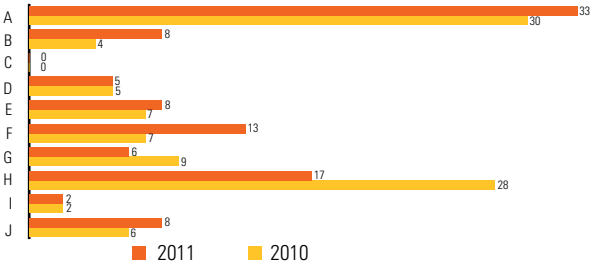
**Loans to Deposit Ratio** (Rs. Billion)




**Non Performing Assets** (Rs. Million)




**Industry-wise NPA Analysis** (%)




A - Export & Import
B - Wholesale & Retail
C - Banking, Finance & Insurance
D - Agriculture & Fisheries
E - Manufacturing
F - Hotels, Travels & Services
G - Housing & Construction
H - Consumption & Others
I - Government & SOEs
J - Foreclosed Properties

Management of the NPA has been one of the focus areas of the Bank with the objective to achieving above industry average. NPA was kept at 2.1% in 2011 as a result of the continuous recovery effort as well as preventive measures from improved risk management practices.

## Capital and Liquidity Ratios

| As at 31 December | 2011 Rs.Million | 2010 Rs.Million |
|---|---|---|
| Core capital | **35,550** | 28,007 |
| Deductions | **(3,038)** | (2,673) |
| Core capital after deductions | **32,512** | 25,334 |
| Supplementary capital | **14,622** | 10,953 |
| Deductions | **(2,696)** | (2,509) |
| Supplementary capital after deductions | **11,926** | 8,444 |
| Total capital base after deductions | **44,438** | 33,778 |
| | | |
| **Risk- weighted assets** | | |
| Credit risk | **322,218** | 198,284 |
| Market risk | **17,046** | 12,779 |
| Operational risk | **42,456** | 34,900 |
| Total risk- weighted assets | **381,720** | 245,963 |
| Core capital adequacy ratio (%) | **8.5** | 10.3 |
| Capital adequacy ratio (%) | **11.6** | 13.7 |

Capital adequacy ratio decreased from 13.7% to 11.6% as a result of increase in risk- weighted assets. Higher capital allotment for credit risk was caused to reduction in capital adequacy ratio inline with increase of loan book.

## Liquid Assets

| | 2011 Rs.Billion | 2010 Rs.Billion |
|---|---|---|
| Total liability base subject to minimum liquid assets requirement | **582.4** | 499.9 |
| Total liquid assets | **136.0** | 143.2 |
| Liquid asset ratio (%) | **23.4** | 28.7 |

The sound liquidity position of the Bank was maintained which was above the minimum requirement, even though it was decreased by 5.3% to 23.4% from 28.7% in 2010.

## Dividend and Value to the Government

| | 2011 Rs.Million | 2010 Rs.Million |
|---|---|---|
| Value Added Tax | **2,516** | 4,001 |
| Income tax | **4,025** | 3,687 |
| Dividends | **3,846** | 3,096 |
| Total | **10,387** | 10,784 |
| Profit before VAT & tax | **18,062** | 14,054 |
| Total value to Government | **57.5%** | 76.7% |

Reduction in the Value Added Tax rates and income tax rates by the government's budget proposal for the year 2011 is the main cause for the reduction in total value paid to the government.

# Business Line Performances

The Bank's core business is divided into main business lines namely Corporate and off-shore Banking, Retail Banking., Treasury Services, International Banking, and Development Banking. In addition the Bank also offers Islamic Finance services, Investment Banking services in a small scale.

## Corporate & Off-shore Banking

The corporate banking segment provides banking services to corporate clients, including many large corporations and institutions. Each corporate customer is assigned a relationship manager and officers, who serve as a single point of contact for the customer's entire banking needs. The segment extends a wide range of products to its corporate customers both in Sri Lankan Rupees & foreign currency which includes long & short term loan facilities, revolving credit lines for trade finance operations, money market loans, project loans including syndication, Issuance of guarantees and bid bonds, various deposit products, fund management facilities and advisory services.

The Bank actively manages its loan portfolio to create a balance among all the sectors in the economy.

As of December 31, 2011, the Bank's total corporate loan portfolio was Rs. 270.2 billion, a growth of 31.4% over last year.

The deposit of corporate banking sector accounted for 25.6% (i.e. Rs. 150.5 billion) of the Bank's total deposit base as of December 31, 2011.

| Business focuses | 2011 Highlights | 2012 and beyond |
|---|---|---|
| • To maintain extended customer relationship and develop businesses with major enterprises while exercising prudent risk management.<br>• To enhance business capabilities by providing total solutions to the customer.<br>• To capture new opportunities from the expanding scope of the off-shore business. | • A strong growth of 31.4% in corporate loans over 2010 while maintaining credit quality. (NPA 1.42%)<br>• Over Rs.150 billion deposit base.<br>• Crossed milestone of Rs.4 billion commission income.<br>• One-stop service to all corporate customers.<br>• Internet banking. | • Corporate lending to diversified activities in the economy with more focus on large infrastructure projects & priority sectors in the economy.<br>• To continue focus on private sector lending through the implementation of market based strategies to maintain a healthy advances portfolio.<br>• To continue improvement of internal processes through automation.<br>• To attract trade finance business of SMEs through branch network by providing image transmission solutions.<br>• To focus more on offshore lending for viable business ventures through branches located in Chennai & Malé. |

## Trade services

The Trade Services business unit of corporate banking segment caters to all the financial requirements of importers and exporters by providing various products which include pre-shipment & post shipment facilities, establishment/advise of letters of credit/stand by LCs etc. The total import and export credits granted by trade services unit during the year was Rs. 116.7 billion while outstanding amounted to Rs. 44.2 billion which constitute 8% of the Bank's loans & advances to customers. The trade service unit earned a fee income of Rs. 3,257 million for the year ended 31 December 2011.

| Business focuses | 2011 Highlights | 2012 and beyond |
|---|---|---|
| • Development of IT infrastructure to facilitate the customer with technology based delivery channels.<br>• Rationalise the internal operation and work towards the synergies<br>• Revenue diversification | • Secured market leadership on imports & exports with a market share 67.7% & 19.4% respectively<br>• Improved the quality of the operation by obtaining ISO 9001 - 2008 certification<br>• The unit received two National Level Productivity Awards for quality circles.<br>• Introduced of online tax/duty payment system facilitating importers to pay the custom duty via internet | • More focus on trade finance business for enhance fee based income.<br>• Expansion of trade finance business through Client Trade facility by adding more features.<br>• Maintain leadership.<br>• Implementation of loan module through Client Trade<br>• Implementation of imaging solutions in branch network to attract more trade customers across the country. |

# Retail Banking

The Bank is one of the largest retail banking solution provider in Sri Lanka, over 10 million retail accounts in Sri Lanka which, as of December 31, 2011, totalled 316 branches, 248 extension offices. The Bank's ATM network totalled over 402 ATMs across Sri Lanka as of December 31, 2011. Together with the Bank's subsidiaries and associate companies in both the banking and non-banking sectors, the Bank offers a broad range of products and services to its retail customers, including lending products such as home finance loans, automobile finance loans, and personal loans, deposit products, such as demand and term deposits and savings accounts, and credit cards. In addition, retail banking offers beyond traditional banking such as Bancassuarance and investment products.

The retail banking sector contributes Rs. 426.6 billion deposits which is 72.5% of deposit funding of the Bank.

The amount of the Bank's retail banking loans and advances to customers was Rs. 269.5 billion as of December 31, 2011, which constituted 48.8% of the Bank's total loans and advances to customers. The Bank provides loans to individuals directly through its branches.

The Bank offers domestic and international credit and debit cards to its customers in association with Visa and MasterCard. In 2011, 'Visa Platinum-Black Card' was introduced to serve high net worth clients.

As of December 31, 2011, there were over 4,571 merchants serviced by the Bank and issued over 85,000 credit cards and over 2 million debit cards. As of December 31, 2011, the total outstanding balance on its credit cards was Rs. 1,952.0 billion. The Bank also grows its debit and credit card products through cross-promotions with its other products.

## Retail Banking

| Business focuses | 2011 Highlights | 2012 and beyond |
|---|---|---|
| • To build on the Bank's core strengths and reinforce leading position in retail banking business<br>• To review and adjust the Bank's wealth management business strategy in response to the changing operating and regulatory environment<br>• To further automate the retail banking products and services offering.<br>• Service points rationalisation programme by enhancement of customer reach, widening customer touch-points.<br>• To foster financial literacy and financial inclusion in the rural sector<br>• To capture and retain the accounts of the young generation | • Maintained market position in retail lending with 63.4% growth.<br>• Established the Bank's premier centre focusing on client needs and offering tailor made wealth management products and professional financial planning services.<br>• Started various projects with Government of Sri Lanka for personal financing (Loan schemes to estate sector employees and credit cards)<br>• Led the Sri Lankan Debit cards market by issuing more than 2.0 million cards.<br>• Automated leasing financing and more than 100 branches rolled over to the system.<br>• Number of branches increased by 9 and extension offices by 30 in order to expand the banking business. Seven extension offices have been upgraded to branch status in the northern area. Number of ATMs linked has been increased by 52 totalling the ATM network to 404 (including Malé). The number of service points has increased by 91 during this year making the total 970.<br>• Appointment of 274 customer care officers at retail banking sector.<br>• Established 359 units of "school savings unit" Island wide.<br>• The Bank was able to open 92,748 accounts for the year from school savings units mobilising an additional deposit of Rs. 119 million.<br>• Introduction of Business Privilege and Flexi cards.<br>• Increased merchant turnover of the credit card business over by Rs.3.0 billion.<br>• Introduction of Easy Payment Scheme for credit card holders.<br>• Training programmes for the enhancement of entrepreneurial skills of the young prospective investors in Northern and Eastern provinces. 300 youngsters have been trained under this programme.<br>• Bancassurance division operated with 50 staff strength. | • Continue expansion of geographical coverage<br>• Establish of SME service units to cater to the rural development of the country in line with national development agenda.<br>• Leasing System roll over to the remaining branches<br>• Further streamline credit approval processes to reduce the processing time.<br>• To reach excellence in performance in the credit card market, the Bank expects to further increase credit card receivables by end 2012.<br>• New value proposition for all products to capture new market segments.<br>• Regional High Networth Centres for the convenience of high net worth customers.<br>• Customer service excellence through ICT.<br>• To improve Bancassurance & increase cadre up to 100 to cover all branches.<br>• Strengthen credit card operations by issuing new credit cards and improve volume of business |

## Treasury Services

The Bank's Treasury Division is responsible for the Bank's treasury operations ensuring maximum contribution towards the Bank by managing its domestic liquidity and funding position further providing foreign exchange services, fund management and government securities transactions for its customers.

As part of liquidity management, Treasury Division invests mainly in government securities. Treasury Division also manages the Bank's foreign currency exposure, engaging in proprietary trading of currencies and offering foreign exchange and risk hedging derivative instruments to the Bank's corporate customers such as forward contracts, interest rate swaps, currency swaps and foreign currency options.

The Bank also seeks to optimise profits from its trading portfolio by taking advantage of market opportunities and trends.

| Business focuses | 2011 Highlights | 2012 and beyond |
|---|---|---|
| • Pro-active management of the Bank's balance sheet and adjust the asset & liability mix in response to market changes.<br>• To optimise risk-adjusted return in accordance with market trends.<br>• To focus on investment products for personal customers as well as corporate customers.<br>• To manage liquidity of the Bank in a cost effective manner.<br>• To help key institutions who seek our assistance to source their funding through diversified instruments.<br>• To raise foreign funds to meet the Bank's funding needs.<br>• Management of foreign exchange of the Bank and managing the risk in foreign currency exposures.<br>• Management of fixed income portfolio of the Bank. | • Maintained leading position of treasury operation.<br>• Increased investment in fixed-rate government-related securities with longer duration for yield enhancement.<br>• Maintained sound liquidity ratio which is above the statutory requirement.<br>• Establishment of VaR & stress testing system to monitor treasury portfolio and equity portfolios.<br>• Co-arranger for the fourth international sovereign bond issue of USD 1 billion.<br>• Sourcing more than USD 700 million borrowings for funding the asset growth. | • Continue leading position of treasury operation.<br>• To raising USD 500 million through an international bond during 2012.<br>• To develop treasury based derivative products.<br>• To introduce new treasury systems and look forward to increasing customer portfolio as of treasury bills and bonds by penetrating into untapped market segments. |

## International Banking

The Bank has two international branches in Malé & Chennai, and a fully owned foreign subsidiary based in London. The Division provided deposit services as well as loan syndication, treasury products, remittances and trade financing in both foreign branches as well as our UK subsidiary. The Division is also responsible for correspondent relationships with more than 840 banks over 118 countries.

By year end the Bank had a total of 23 representatives engaged in handling inward remittances in remitter destination covering most of the countries where Sri Lankan migrant employees are based. Operating profit of foreign branches accounted for 3.1% of the Bank's operating profits in the year 2011. Deposits in foreign branches represented 1.8% of the Bank's deposits while gross loans and advances made from foreign branches represented 1.5% of the Bank's net loans and advances as of the same date.

The Division provided a number of channels to transfer money to and from Sri Lanka, with a concentration on remittances from expatriates abroad, primarily in the Middle East, Europe and North America.

The Bank enjoyed a 43.5% market share of all inward remittances to Sri Lanka. The Bank maintains remittance arrangements with almost all Exchange Houses in the Middle East to assist Sri Lankan migrant employees with their remittance transactions. The Bank is a participant in the MoneyGram, X-press Money, Coinstar, Pay Quick and Ez Remit remittance systems which are represented globally. The Bank processed remittances to the value of USD 2.2 billion in 2011, which was an increase of 22% over the previous year.

| Business focuses | 2011 Highlights | 2012 and beyond |
|---|---|---|
| • To focus on Inward remittances products for personal customers as well as corporate customers.<br>• Maintain market leadership in Inward Remittances. | • Joined with "Pay Quick" global remittance system of National Commercial Bank Saudi Arabia.<br>• Introduced a special reward scheme for the recipients of inward remittances.<br>• Increased number of representatives working abroad up to 23 including Europe and the Middle East.<br>• Improved market share of Inward Remittances up to 43.5% compared to 43.2% in 2010.<br>• Increased the number of BoC e-cash remittances arrangements up to 54 banks/ exchange houses and received 794,625 remittances.<br>• Number of correspondent banks increased to 840 by adding 31 in 2011. | • Remittances over Rs 300 billion in 2012.<br>• To introduce Web based fund transfer system enabling a real time fund transfer system for efficient processing of inward remittances and enhance the customer verification security measures.<br>• To expand correspondent network and exchange house relationship.<br>• To increase representative offices in important destinations.<br>• NRFC promotional programmes adding further value to our customers.<br>• To enhance our operational work flow to facilitate our remittances to customers back at home. |

## International Banking

| Business focuses | 2011 Highlights | 2012 and beyond |
|---|---|---|
| | • Surpassed Rs 247.3 billion in inward remittances which was an increase of 22% over the previous year.<br><br>**Overseas Branches**<br><br>**Chennai Branch**<br>• The profit increased by 43% to INR 133 millions over last year. Increased capital from USD 10 million to USD 25 million<br><br>**Malé Branch**<br>• The profit increased by 100% to MVR 109 millions over last year.<br><br>During the year 2011 capital of the branch increased to MVR 150 million by infusion of retained profit of Malé Branch.<br><br>• Improvement of capital structure in order to enhance the single borrower exposure limits | • To further expand overseas branches business.<br><br>• To establish extension offices attached to overseas branches.<br><br>• To provide ATM access and Internet Banking facilities to customers of overseas branches.<br><br>• To open two new branches in Tuticorin and Caimbatore<br><br>• To open extension office at Mahabodhi temple complex<br><br>• Upgrading SWIFT system via direct link with Head Office<br><br>• Open a new branch in Addu Attol in Southern Maldives |

## Development Banking

The Development Banking Division focuses on developing innovative and effective ways of delivering banking services to underserved and underdeveloped parts of Sri Lanka. The available banking products and services of the Development Banking Division includes credit facilities to micro-farming to micro-enterprise agriculture sector, fisheries sector, tea and coconut development and perennial crops. In addition, with a view to providing assistance to obtain higher education to every Sri Lankan, educational loan schemes are made available with flexible terms and conditions. Specially designed loans for SME development projects, on par with the eco friendly requirements cater the SMEs all over the island.

| Business focuses | 2011 Highlights | 2012 and beyond |
|---|---|---|
| • Facilitate agriculture and agro based industries<br><br>• Expansion of lending to Small & Medium Project.<br><br>• Micro financing<br><br>• Finance and inculcate the savings habit among the fishing community | • Extended timely and adequate finance to farmers with a comprehensive package consisting of production, processing, packaging, transportation, storage, marketing, farm mechanism and insurance. The market linkage introduced under the Forward Sales Contract Agreement.<br><br>• Assistance towards coconut cultivation impetus to coconut sector production which had seen declining trend. BoC granted loans in this regard to plant/replant during the year. | • To continue a Poverty Alleviation Micro Finance Project (PAMP)<br><br>• To support Fisheries development.<br><br>• To set-up scientifically managed units across the country under Government initiative Agro-Livestock Development Loan Scheme.<br><br>• To facilitate Home Garden projects.<br><br>• To focus on national food security programmes. |

## Development Banking

| Business focuses | 2011 Highlights | 2012 and beyond |
|---|---|---|
| • To reach out to the lower rung in society, the so-called non-bankable sector, socially mobilising them into self-help groups and empowering them to be a bankable segment enabling them to negotiate with finance providers on equal terms.<br>• Poverty alleviation and creation of Income generating activities<br>• Project Finance coupled with value chain management | • Financed 1,600 units with a loan volume of Rs. 500 million. This programme also envisages the setting up of milk processing plants that are linked with dairy farmers. BoC has funded one such project at Pelwatte, Buttala, linking around 2500 dairy farmers with the processing plant.<br>• BoC has allocated Rs. 1.4 billion for 640 projects identified by the branches. More than 300 loans amounting to Rs.470 million have been granted under the scheme<br>• Funds released to develop fishing sector and related industries. Approximately Rs. 1.0 billion was allocated to developing fishing industry in association with the Fisheries Ministry.<br>• Actively promoted SME business and introduced special SME finance packages in line with the national economic development agenda. Total SME loans granted is Rs. 2.0 billion<br>• Training of small enterprise entrepreneurs across the country. More than 3 training programmes conducted Island-wide and this is in addition to the special training provided to the Bank's in-house staff.<br>• Established 13,670 groups among the population below or just above the poverty line. Formed 73,831 self-help group members, majority of them women, who yearn to become future wealth generators in the country.<br>• Addressed the immediate financial needs of the Internally Displaced Persons (IDPs) and mapped out an expansion strategy, focusing on the periphery where the real economic activities (agriculture, fisheries and cottage industries) were taking place.<br>• Refinance credit programmes are being implemented<br>• Credit facilities were delivered under the New Comprehensive Rural Credit Scheme (NCRCS) Rs.2,069 million. | • To continue to maintain above 10% agriculture lending of the total portfolio.<br>• Continue micro financing<br>• Continue skill development of small enterprise entrepreneurs by way of training<br>• Continue development banking activities related to poverty elimination.<br>• Continue with refinance credit lines.<br>• Work in association with the planned SME banking centres to engage more entrepreneurs to the banking channel. |

## Islamic Finance

The Bank of Ceylon established the Islamic Banking Unit (IBU) to cater the demands of Shari'ah compliant products in year 2009 and the operations were expanded in 2011. Islamic Banking industry was considered as a niche market. However we understand the potential of meeting financial requirements of the clients under Islamic Banking is immense and therefore the Bank wishes to explore new avenues of this emerging industry linking with national and international stakeholders.

Islamic Banking Unit reached towards a fund portfolio in 2011 amounting to Rs. 2,305 million (Sri Lankan Rupees and foreign currency) which is a growth of 416% over 2010. Correspondingly the IBU has granted a total sum of Rs. 3,019 million and a foreign currency facility of USD 2.59 million. The growth in advance portfolio of 668% over the last year. The total income generated from IBU is Rs. 121 million with a growth of 928% over last year.

Placement accounts, foreign currency products, expansion of Wakala products to various sectors, Letters of Guarantee, Foreign Currency based Ijara etc., are the new additions during the year to the portfolio.

## Subsidiaries and Associates

As of December 31, 2011, the Group included 13 subsidiaries and 5 associate companies, representing a total investment of Rs.7.1 billion

The Bank has a subsidiary management charter that sets out the rules, guidelines, risk management practices and code of conduct for the directors appointed by the Bank to these affiliated companies. The Bank has also established a separate unit, headed by the Bank's Chief Financial Officer, to monitor these companies.

During the year the following initiatives were carried out

- Two performance review sessions with subsidiaries and associates.
- Meeting with the chairmen and chief executive officers to address the need to improve corporate governance practices
- IFRS training sessions

**The Bank believes that its mobile banking service has the potential to improve customer retention and reinforce the Bank's brand recognition. The service is available in connection with accounts at all of the Bank's branches.**

## Mobile Banking Services

The Bank's mobile banking service offers low cost, around-the-clock banking services to customers via 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. The service is available in connection with accounts at all of the Bank's branches.

Depending on the mode of access, available facilities include account balance enquiries, mini-statements, check book requests, trading account enquiries, fund transfer within the Bank and to other banks in Sri Lanka, mobile credit top-ups, bill payments and payments of life insurance premiums. In the future, the Bank aims to equip mobile banking with additional feature introducing IVR system.

## Internet Banking

The Bank provides internet banking services to its personal customers through its BoC e-Bank service and its BoC i-Net service. More than 15,000 customers are enrolled to obtain this service.

## Information Technology

The Banks' on-line real time customer base exceeded 9 million. Centralised customer base provided a variety of banking products catering to specific customer requirements.

Other than infrastructure improvements, secondary links were established and IP based surveillance systems have now been implemented in some branches to establish a fast, reliable and secure intranet connecting all the branches and extension offices.

ATM networks were enhanced and the 400th ATM of the Bank was commissioned in November 2011 at Kaduruwela. While serving with 404 of our own ATMS, the Bank provided another set of ATMs for customers through linkage with other bank's ATM network which now used for quick cash deposits without spending time at the branch. The Bank also implemented a fully automated disaster recovering centre for ATM switching.

Internet Banking Facility was introduced considering the enlargement of digital infrastructure of the country to review the Bank entire portfolio on a single screen and process fund transfers, balance inquiries, past transaction history, utility payments, credit card settlements, Insurance payments, customs payments, mobile reloads and Employee Trust Fund payments via the internet banking gateway.

Mobile Banking solution 'Paymate' enables the customer to do banking via the mobile phone by facilitating the checking of balances, paying utility bills, transferring between persons (PtoP) and most of the functions allowed under internet banking gateway via Paymate. Special security feature 'SMS alert' was introduced recently via the SMS engine of the Bank to receive a text message from the Bank, whenever a customer uses credit/debit cards.

Credit card systems improved through chip card implementation and Terminal line encryption was incorporated to credit card systems as a special security feature. Multi currency web-based front–end solution for trade finance customers was enhanced with fully integrated back office functionalities together with elements necessary to make the LC process easier along with centralised control for handling information instantly.

Trade Finance application software was improved for sending output reports and advices to customers electronically. A special report generator 'Trade Stat' was introduced to address delay in management information extraction. At present the Bank is in the process of implementing an imaging solution, such that trade related documentation can be decentralised and the processing to be centralised, thus giving the customers much greater convenience.

Implementation of core banking application systems at new branches and extension offices with proper integration to the central hub increased efficiency in customer service. More than 200 extension offices were included in the BoC infrastructure. New functionalities were implemented on the core banking application to handle utility payments such as water bills, electricity bills,

telecom and insurance payments, EPF, Inland Revenue and payment settlements of The Institute of Chartered Accountants of Sri Lanka. Enhancements for check digit validation at source were also introduced. Customer statement generation system was enhanced to provide multiple delivery channels such as SWIFT with automated reconciliations, through email and in soft copies enabling the Bank to drive towards a paperless society. System tuning and enhancements were done to the end of day processing of the Core banking application and managed to cut down the system unavailability time window.

Initial background work is being done to establish a special gateway for customers to transact with Sri Lanka Ports Authority. The Bank has also now facilitated 24 * 7 Banking at limited locations while Business Intelligence Tools with dash boards are in the pipe line.

As a result of inward remittances system improvement, annual volumes were increased over 600,000 items in 2011 with the system being capable of transferring funds to beneficiary accounts electronically.

By the end of 2011, total numbers of 46 agents (overseas) were connected to handle world wide fund transfers through in house developed application system 'E-cash' which is capable of handling millions of transactions per day with inbuilt reconciliation facilities. The solution helps to maximise efficiency and minimise risk and effectively reduces transaction costs to the Bank.

Modernisation was carried out to Sri Lanka Interbank Payment Systems to facilitate 'bank to bank' same day fund transfers with enhanced security features while ensuring efficiency.

The Bank is also currently uploading branch wide loans and advances to the Credit Information Bureau of Sri Lanka. It is done monthly via automated extraction and encryption processes.

This was enabled via new designs and developments done in-house by the ICT team covering all the heterogeneous application systems and operating systems.

A gateway was introduced to Sri Lanka Customs for real time collection of duty and tax levies through the island wide branch network. This reduces delays and possible malpractices in clearing goods. The facility is enjoyed by almost all the importers and exporters of the country. This further enhanced so that exporters/importers could pay their taxes and levies using the Internet Banking facility which is also connected to the Customs Systems to facilitate on-line, real time transaction processing.

IT Division engaged in implementation Islamic Banking solution for the Bank while the Treasury management system was upgraded to incorporate additional features. Web mail facility has been enabled to mobile devices (ie. Handhelds - iPad, Blackberry, Mobiles), while email access has been trebled over the last year. In addition to this the latest version of 'End Point Protection' is being installed on all workstations to ensure virus security.

The Bank implemented application software to handle its leasing portfolio through running with 100 branches working on line and branch roll out plan will be extended to cover all the branches. It is a web based solution with on-line approval process with minimum manual inputs and integrated to the core banking system for real time payments and recoveries. The system is running on open source architecture, introducing open source software in the Bank.

The Bank decided to upgrade the exiting application system that handles call centre operations and will be able to provide efficient and effective customer service around the clock in all three languages Sinhala, Tamil and English through 30 agents at the call centre.

Information System Security Policy of the Bank will also ensure that the Bank would implement ISO27001 and is also in the process of acquiring special software to handle 'BOC Infinity' operations, Anti Money Laundering software, Risk Management application system which covers total credit rating, score card maintenance, Asset and Liability Management and Transfer Pricing.

Disaster Recovery and Business Continuation plan for 24*7 system availability were given a high level of priority and complete testing rounds of the BCP/DRP were conducted during the year. The Bank invested Rs 285.8 million on IT hardware and software in 2011.

Professional competence of employees attached to IT division are continuously updated through local and international training programmes.

## Business Continuity Plan

The Plan was approved in 2009 and revised at the end of 2011. Two tests were carried out, one with the Central Bank officers to test the system capability and the operations was successful. The premises reserved for the Business Continuity Plan were given all the facilities for the staff to work comfortably in case of disaster taking place at the Centre.

The Committee of Business Continuity Plan have met and the minutes of those were discussed at the Business Continuity Steering Committee during 2011.

## Central Back Office

Further strengthening the back office functions has taken over the entire cheque clearing process in the Bank to reduce the branch work by providing scanner machines to send the cheques to back office as and

when received to be submitted for clearing functions. In this process, no physical transfer of cheques will take place but only the tele transmission of the image of the cheque for clearing. This has contributed to reduce physical transaction cost and reduce the loss of interest by the customer due to delays.

### Capital Expenditures

During the year the Bank has made a capital expenditure of Rs. 2,355 million and mainly capital expenditure allocated for expansions for service points, technological upgrading for efficient customer services etc. The Bank anticipates investing a considerable amount of capital expenditure in 2012, principally for building projects for expansion of service points & IT infrastructure development together with core banking system upgrades to increase service excellence. The Bank expects to fund its capital expenditures through internally generated funds.

During the year construction of new buildings was completed in Ambalangoda, Kadawatha, Aluthgama including Premiere centre, by investing Rs. 210 million. Other than that Rs. 103 million incurred to open 30 new extension offices. To relocate of 53 branches, the Bank invested Rs. 60 million. The amount incurred to modernised 35 branches was Rs. 52 million.

### Human Resources

A comprehensive analysis of human resource activities is provided in the sustainability report in this annual report.

## Subsidiaries and Associates

The following table sets out the Group's subsidiaries and associates as of December 31, 2011.

| | Bank's ownership (%) | Stated Capital | Total Assets (Rs. Million) | Profit after Tax |
|---|---|---|---|---|
| **Subsidiaries** | | | | |
| Property Development PLC | 93 | 660 | 2,409 | 308 |
| Merchant Bank of Sri Lanka PLC | 72 | 1,607 | 9,936 | 332 |
| BOC Management and Support Services (Private) Limited | 100 | 1 | 9 | 0 |
| BOC Property Development and Management (Private) Limited | 100 | 1,010 | 1,032 | 91 |
| BOC Travels (Private) Limited | 100 | 3 | 137 | 26 |
| Hotels Colombo (1963) Limited | 100 | 101 | 214 | 33 |
| Merchant Credit of Sri Lanka Limited | 86 | 100 | 5,980 | 120 |
| Ceylease Financial Services Limited | 55 | 200 | 1,579 | 39 |
| Ceybank Holiday Homes (Private) Limited | 100 | 0 | 17 | 2 |
| MBSL Insurance Company Limited | 56 | 780 | 1,004 | 4 |
| Koladeniya Hydropower (Private) Limited | 88 | 0 | 261 | (1) |
| Bank of Ceylon (UK) Limited | 100 | 2,087 | 13,181 | (79) |
| MBSL Savings Bank Limited | 49 | 729 | 2,709 | (49) |
| **Associates** | | | | |
| Ceybank Asset Management Limited | 43 | 38 | 277 | 75 |
| Southern Development Financial Company Limited | 42 | 60 | 39 | 3 |
| Lanka Securities (Private) Limited | 41 | 280 | 711 | 155 |
| Mireka Capital Land (Private) Limited | 40 | 1,875 | 5,911 | 150 |
| Transnational Lanka Records Solutions (Private) Limited | 25 | 81 | 177 | 34 |

Each of the Group's subsidiaries listed above are incorporated in Sri Lanka, other than the Bank of Ceylon (UK) Limited. Set out below is a further description of the Group's primary subsidiaries.

## Property Development PLC

In 15th October 1980, the Bank established Property Development PLC as a developer and manager of the Bank of Ceylon Head Office Building in Colombo and the Company is listed on the Colombo stock Exchange. As of December 31, 2011, the Bank has a 93.16% interest in the Company. The Company's principal business operations are to maintain, manage, develop and sustain the utility and value of Bank of Ceylon Head office Building. In addition, the Property Development PLC has a management agreement to manage & maintain the BoC Merchant Tower Building at Kollupitiya & Ceybank House in Kandy. The Company has moved into power generation business through the investment of Koladeniya Hydropower (Private) Ltd.

## Merchant Bank of Sri Lanka PLC

Merchant Bank of Sri Lanka PLC ("MBSL") established on 4th March 1982, as a merchant banking arm of BoC group. As of December 31, 2011, the Bank has a 72.14 % interest in the Company. The Company's principal business operations include leasing & hire purchase, trade finance, corporate advisory services, fund management, capital market activities, corporate secretarial & legal services.

## BOC Property Development and Management (Private) Limited

On 24th September 1993, the Bank established the BOC Property Development & Management (Private) Ltd. As of December 31, 2011, the Bank has an 100% interest in the Company. The Company's principal business operations are renting of office space of BoC Merchant Tower in Colombo 03 & Ceybank house in Kandy.

## BOC Travels (Private) Ltd.

In 11th April 1995, the Bank established the BOC Travels (Private) Ltd. As of December 31, 2011, the Bank has a 100% interest in the Company. The Company's principal business operations are to engage in travel related services.

## Hotels Colombo (Private) Ltd.

Hotels Colombo (Private) Ltd was established on 9th July 1963. As of December 31, 2011, the Bank has a 99.99% interest in the Company. The Company's principal business operations include provision of hotel services.

## Merchant Credit of Sri Lanka Limited

Merchant Credit of Sri Lanka Limited established on 30th November 1983. As of December 31, 2011, the Bank has an 85.79 % interest in the Company. Company's principal business operations include acceptance of deposits, granting lease facilities, hire purchase, loans & other credit facilities, pawning and real estate development & related services.

## Ceylease Financial Services Limited

Ceylease Financial Services Limited was established on 18 July 1970. As of December 31, 2011, the Bank has a 55% interest in the Company. Company's principal business operations include granting financial lease, hire purchase, commercial loan facilities, real estate development & sales.

## Ceybank Holiday Homes (Private) Limited

Ceybank Holiday Homes (Private) Limited was established on 23rd April, 1986. As of December 31, 2011, the Bank has an 100 % interest in the Company. The Company's principal business operations include managing, operating, maintaining & conducting pilgrims rests, hotels, & guest houses in Sri Lanka

## MBSL Insurance Company Limited

MBSL Insurance Company Limited is a subsidiary of Merchant Bank of Sri Lanka and company's principal business operations include offering life & general insurance products.

## Bank of Ceylon (UK) Limited

After conversion of the Branch to a fully owned subsidiary, required staffing was done to position itself to achieve its intended goals.

# Management Discussion & Analysis

## Beyond 2012- Targets and Challenges

### Target

- 2012 is a challenging year for BoC Group as it envisages marking another milestone of its balance sheet history to reach Rs. one trillion.

- The Bank has earmarked the SME sector as a priority area as the Bank recognises that SME is key to Sri Lanka's economic development. Special SME units in each district will be opened only to caters to this market. As such the first SME unit was opened in Kurunegala district. The Bank will endeavours to develop this concept into other districts during 2012. The Bank will significantly be involved in the economic development initiatives of the country by being truly the bankers to the nation. SME lending will be further strengthened to develop this segment by providing financing and technical know-how.

- Plans are underway to upgrade the existing core banking system and the front end teller system in order to increase service excellence through better customer services

- Fitch ratings Lanka has upgraded the Bank's national long-term rating to 'AA+(lka)' stable outlook from 'AA(lka)' Positive outlook. With this rating the Bank is now the highest rated domestic commercial bank. The Bank is now exploring an international rating while it continues to improve its rating indicators to further enhance its rating.

- In view of servicing emerging niche markets the Bank is drawing new strategies to expand its network internationally including planned expansion of Chennai and Malé Branches. Bank of Ceylon (UK) Limited operates as a subsidiary of the Bank which offers commercial banking services in United Kingdom. The Bank explores possibilities of positioning this subsidiary in the Euro Zone countries where a large number of Sri Lanka diaspora live to mobilise deposits and inward remittances. Further the Bank will expand it to over 1000 worldwide network correspondence banks and exchange houses to provide services to the Sri Lankan diaspora as well as to facilitate international trading parties.

### Challenges

2012 will be a challenging year for Sri Lanka as well as for the Bank of Ceylon. The exchange rates floating environment, changing investor perception, liberalised capital account, European crisis and Arab uncertainty and the country's expectations will give a mixed bag for the year 2012. The Bank's transformation to face these new realities and guiding towards today's skill needs are a great challenge.

- According to CBSL Road Map by 2016, banking sector assets will be doubled. This creates a big challenge for all banks to have fund and capital availability for expected growth. Due to mismatch of national saving and investments, it is a highly challengeable task for sourcing funds only through the local system. In this situation, the Bank has to consider different options available to fill the funding gap. The Bank has to move into international markets to source funds at competitive prices in order to maintain growth over market growth by securing its leading position in the market.

- With rapid change in the technological environment, the expectations have increased. In the recent past a number of overseas banks entered into our market with sophisticated technologies. Therefore, as a leading domestic bank of the country, it is necessary to keep in par with technology advancement.

- The Bank has identified that it is important to revisit its internal processes in order to capture opportunities in a fast booming economy. Accordingly, the Bank is in the process redesigning all its procedures making them more customer friendly while minimising operational risk.

- In 2011, the Bank adopted a number of strategies to bring down the NPA ratio. It is a very challenging task to maintain the same level of NPA ratio with the rapid expansion of the loan book.

- Human talent mobilisation is viewed to be a challenge for the Bank as the market will compete for a limited talent pool and the required skills are in limited supply.

- The government recently liberalised the capital account and relaxed some foreign exchange regulations. As a result, the local domestic corporates are permitted to source funds globally without financial intermediaries. This trend will drive out some potential credit growth opportunities for local banks including that of BoC.

- The Institute of Chartered Accountants of Sri Lanka has already issued new accounting standards and most of them are effective from 1st January 2012. These standards require significant adjustments to the internal process of accounting, record keeping, including some modifications to credit appraisal methodologies. These standards require to capture new information requirements. The recognition of balance sheet items and items of the income statement should be changed in line with these new rules. The knowledge enhancement and operational instructions to comply with new rules are vital at each level. Therefore, successful application of a new set of accounting standards is complex and complicated due to business volume and large numbers of products, services and large customer base posing a greater challenge to the Bank.

**Fitch Ratings Lanka has upgraded the Bank's national long-term rating to 'AA+(lka)' / Stable outlook from 'AA(lka)' / Positive outlook.**

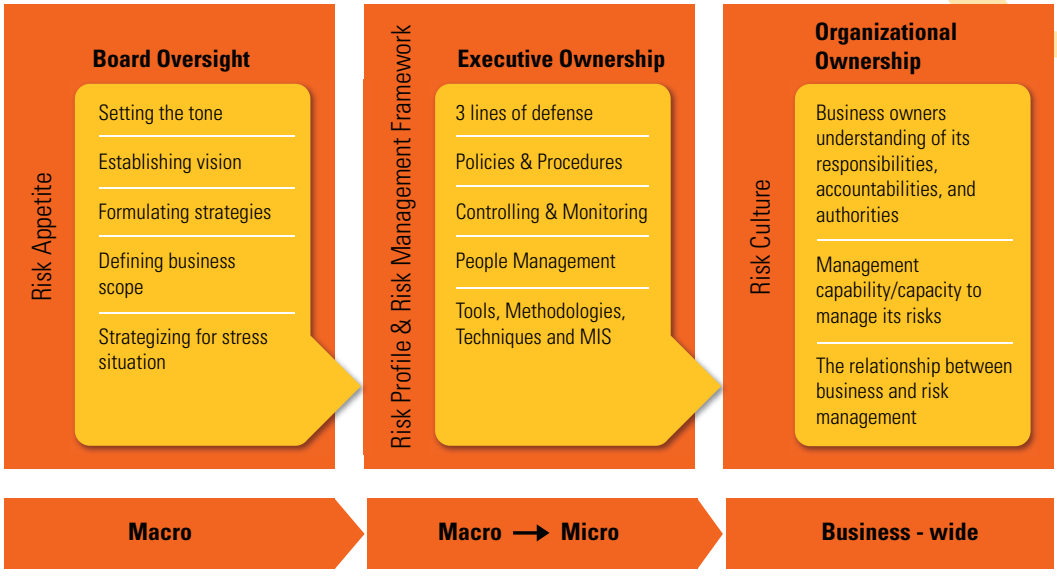
**With this rating the Bank is now the highest rated domestic commercial bank.**

# Risk Management

Management of various types of financial risks is an integral part of the banking business. The primary objectives of the risk management strategy are to protect the financial strength and the reputation of the Bank. Bank of Ceylon (BoC) has integrated its Risk Management to ensure that the risks assumed are within the defined risk appetite and adequately compensated. The Bank's risk management framework is based on the following principles,

- Protecting the financial strength: Risk controls and mitigation plans are in place to limit the impact of potentially adverse events on the Bank's capital and income streams.
- Protecting the reputation: Protecting a strong reputation is fundamental and is considered an overriding concern for all staff members.
- Risk transparency: Risk transparency is essential so that risks undertaken by the Bank are well understood by senior management and adequately disclosed to keep stakeholders informed.
- Independent oversight: The Independent Integrated Risk Management Division (IIRMD) reports directly to the Board and operates independently of the business units to ensure the integrity of the risks & control processes.

## Risk Governance Structure of BoC




BoC has in place an integrated risk governance structure since 2008. The Bank's Board of Directors is at the fountainhead of all risk management policies & strategies and responsible for setting the Bank's aggregate Risk Appetite. Integrated Risk Management Committee (IRMC) which is a Board sub committee assists the Board in fulfilling its oversight responsibilities with respect to the operation and effectiveness of the risk management function.

Executive ownership is with senior management of the Bank and a number of Management Committees such as Credit Policy Committee (CPC), Asset & Liability Management Committee (ALCO), and Operational Risk Management Executive Committee (ORMEC), which are involved in managing the various risks the Bank is exposed to. Proper management of risk is ensured through the three lines of defense i.e. Business/Operational Units, IIRMD and Internal Audit.

As an oversight of the risk management function of the Bank,

IIRMD functions as a separate division independent from the revenue generating business units and headed by the Chief Risk Officer (CRO) who reports to the Board of Directors through the IRMC.

Risk Management Policies of the Bank provide a summary of the Bank's principles regarding risk management. Board has approved a comprehensive risk strategy to manage and monitor various risks through risk management policies for Credit Risk, Market Risk, Operational Risk, Business Continuity Planning and Risk Appetite & Stress Testing

To ensure that all staff are aware of the inherent risks in their areas of responsibility and their role in managing and mitigating risk, the Bank has fostered a sound risk culture through continuous risk awareness.

## Risk Appetite & Risk Framework

In order to effectively and efficiently deliver its core purposes, the Bank has a comprehensive framework to identify, measure, monitor, and control the principle risks assumed when conducting its activities. IIRMD links the elements in Bank's Risk Management Framework to the Risk Appetite with the ultimate objective of establishing a conducive risk culture.

Risk Appetite is defined as the level of risk that BoC is prepared to sustain whilst pursuing its business strategy, considering a range of possible outcomes in the implementation of its business plan. The Executive management actively participates in the identification of risk/reward trade-offs as they establish the Risk Profile and Risk Appetite.

The overall risk limits stipulated in the risk appetite statement are based on a bottom up approach and takes into consideration global & local market dynamics, regulator's road map, the priorities of the government as set out in the budget.

When setting the quantitative risk appetite limits the Bank maintains a prudential margin over regulatory capital requirements. The qualitative aspect of risk appetite is set out as the maximum impact BoC is willing to tolerate for particular categories of risk and sets the unacceptable risk events that the Bank will not tolerate.

The risk appetite limits are dynamic and are subject to change in line with the changing business strategies of the Bank and environment it operates in. Therefore, IIRMD continuously monitors risk appetite limits and regularly reviews them where necessary. To cope with the dynamic situations, the Bank monitors liquidity and capital requirements regularly. This is performed through stress testing exercises carried out by the IIRMD.

**Risk Framework and its link to Risk Appetite**

| Framework Element | Linkage to Risk Appetite | |
|---|---|---|
| Risk governance | Clear risk appetite statement approved by the Board and embodied in the risk policy and delegated authorities. This sets the 'tone from the top' and a foundation for the risk culture. | Risk Culture |
| Risk assessment | Frequent risk assessment process to identify new and changing risk landscape in the context of risk appetite. | |
| Risk quantification and aggregation | Regular quantification and aggregation of risk to prioritise focus on risk management and control. | |
| Monitoring and reporting | Monitoring and reporting of performance against risk based limits based on risk appetite | |
| Risk and control optimisation | Controls are established in line with risk appetite to optimise cost/benefit | |

**Key Risk Appetite Limits**

| Credit Risk | Market Risk | Operational Risk |
|---|---|---|
| Maximum holdings of Loan Assets | Interest Rate Risk based on PVBP limits | Limits for seven Risk Types under Basel II |
| Industry/Sector/Product Diversification Requirements and Concentration Limits | Equity Risk based on VaR limits and concentration limits | Limits based on Key Risk Indicators (KRI) |
| Geographic & Sector-wise Diversification Requirements and Concentration Limits | Foreign Exchange Risk based on VaR limits | Limits based on Operational Losses |
| Maximum Amount of Accommodation | | |
| Exposure to Stock Market as collateral. | | |
| Transaction Risk Limits | | |

## Stress Testing Framework

Unforeseen random events sometimes called "black swans" are the main threats to capital of a bank. These types of events simply do not appear in the data examined by quantitative models. Bank utilises Stress Testing as a key risk management tool, to identify the potential impact on capital.

Stress testing benefits the Bank in different ways such as understanding the impact of recessionary scenarios, assessing material risk concentrations and forecasting the impact of stress scenarios on the Bank's performances, balance sheet and liquidity.

The IRMC is the main forum overseeing the stress testing approach, processes and results. The forum is primarily responsible for reviewing and challenging the results of any stress tests and ensuring, where necessary, appropriate management actions are initiated.

The Bank has embedded stress testing in its risk culture and during 2011 several scenarios were stress tested against Bank's capital adequacy & liquidity and submitted to the Board through IRMC.

### Bank Specific Scenarios

- Stress testing on business assumptions such as credit growth and declining deposits
- Stresses to Credit Exposures
- Stresses to Liquidity
- Stresses due to Operational Failures / Unexpected Operational Loss Events

### Systemic Scenarios

- Stresses to market movements and interest rates
- Scenarios of significant macro-economic events that may affect earnings, capital and liquidity or combinations of these events.

Stress test results, trends and explanations based on current market risk positions are reported to the Bank's senior management and to the lines of business to allow them to better understand and manage risks with more transparency.

The recent tests support the fact that BoC remains sufficiently capitalised with Tier 1 capital ratio well above the minimum required by the CBSL.

## Aligning the Bank's risk profile towards AAA (lka) long term rating

Fitch Ratings upgraded BoC's rating to 'AA+(lka)' from 'AA(lka)' in October 2011. BoC's rating reflects its high systemic importance as the largest bank in Sri Lanka, full state ownership, strong franchise and financial profile. Furthermore, this rating was achieved due to several factors including effective management of credit, market and operational risk.

The strong economic growth envisaged will require close monitoring of risks which will be continued to limit asset quality deterioration.

With improved asset quality and profitability the Bank intends to upgrade its long term rating to AAA status.

## Credit Risk Management

Credit risk is the potential that the borrower or counterparty will fail to meet its obligations as and when they fall due in accordance with agreed terms. BoC has identified that effective management of credit risk is a critical component of a comprehensive approach to risk management and essential to the long term success of the Bank. The goal of BoC's credit risk management is to maximise risk-adjusted rate of return by maintaining credit risk exposures within acceptable parameters. Hence the Bank manages credit risk at the transaction level as well as at the portfolio level.

Final authority and responsibility for all aspects for the conduct of activities that exposes the Bank to credit risk rests with the Board of Directors. The Credit Policy Committee, which is headed by the General Manager of the Bank is tasked with handling issues relating to credit policy, procedures and to analyse, manage and control credit risk on a bank-wide basis.

The Bank's credit risk management process is articulated in its credit policies, which are approved by the Board. The credit policies recognise the need for measures aimed at better risk management and avoidance of concentration of credit risk. With this objective, limits have been prescribed for the Bank's exposure to any single borrower, group of borrowers or specific industries or sectors.

Credit policies lay down the conditions and guidelines for the granting, maintenance, monitoring and management of credit, at both the individual transaction and portfolio levels. These policies are documented, well defined, consistent with prudent practices and regulatory requirements and adequate for the nature and complexity of the Bank's activities.

Risk management Policies and Procedures adopted by BoC to mitigate credit risk of the loan portfolio can be described as follows:

### Credit Exposure Ceilings

The credit exposure limits are fixed considering prudential measures mandated by the Central Bank of Sri Lanka (CBSL) based on the capital funds of the Bank. Within these overall credit exposure limits set out in relation to single/group borrowers, the Bank maintains sub limits for industry exposures as set forth in the Risk Appetite document and the Credit Policy of the Bank. These industry limits are reviewed considering factors such as industry growth rates, NPA ratios, profitability etc.

The Bank maintains accurate and comprehensive reporting systems to report any excesses or exceptions together with risk management/ mitigation activities.

## Credit Risk Assessment System

### Credit Rating Model

An important tool in monitoring the quality of individual credits, as well as the total portfolio, is the use of an internal risk rating system. A well-structured internal risk rating system is a good means of differentiating the degree of credit risk in the different credit exposures of the Bank. This will allow more accurate determination of the overall characteristics of the credit portfolio, concentrations, problem credits, and the adequacy of loan loss reserves.

The borrower rating model, which includes both financial and non financial parameters was reviewed and upgraded to be compliant with Basel II requirements as detailed in the rating grid.

### Credit Scoring Models

In order to promote a healthy credit culture and to maintain a quality retail credit portfolio in the Bank, attention was given during 2011 to strengthen the pre-sanction credit evaluation and monitoring process.

A computer based retail-scoring model was introduced to the branch network to align with credit risk management requirements while improving the efficiency and effectiveness of the credit granting process.

### Risk Based Pricing

Bank has a risk based pricing methodology to discipline and promote consistency in asset pricing and such methodology would avoid a disproportionate share of under-priced risks.

**Rating Grid**

| Rating | Default Risk Level |
|---|---|
| AAA | Lowest |
| AA | Very low |
| A | Low |
| BBB | Average |
| BB | More than average |
| B | Relatively high |
| CCC | High |
| CC | Very high |
| C | Unwarranted |
| D1 | Special mention |
| D2 | Substandard |
| D3 | Doubtful |
| D4 | Loss |

## Periodic Credit Reviews

Loan review mechanism is an effective tool for constantly evaluating the quality of the loan book and to bring about qualitative improvements in credit administration. A well structured loan review mechanism is in place and the Bank uses the same in evaluating effectiveness of loan administration, maintaining the integrity of the credit rating process and assessing portfolio quality.

A comprehensive review is carried out at least annually for individually significant loans. More frequent updates are carried out for "watch list" exposures.

All loans and other credit risk exposures, which are identified as impaired assets are closely monitored and appropriate risk mitigating measures are applied. Administration of 'potential high-risk' and 'high-risk' assets is explained in detail in the Bank's risk management policy.

The experienced recovery team, concentrate on developing effective strategies to rehabilitate problem credits and to improve the collection process.

## Credit Risk Mitigation

Credit risk mitigation, which refers to the process through which credit risk is reduced or it is transferred to a counter party is an essential component of credit risk management.

The Bank recognises that collateral does not, by itself, convert a bad loan into a good loan. However, a well-secured loan has less credit risk than an otherwise equivalent unsecured loan and therefore the Bank encourages adequate collateral whenever prudent.

The choice of collateral and the required amount of collateral shall be driven primarily by the purpose and risk of each extension of credit. Requirements for collateral, is set forth in the credit policy and in the loan procedure manuals of the Bank.

## Credit Risk Management at Portfolio Level

Credit risk of the Bank's portfolio depends on both external and internal factors. The external factors are the state of the economy, wide swings of commodity/equity prices, foreign exchange and interest rates, trade restrictions, economic sanctions, government policies, etc. The internal factors are deficiencies in loan policies/ administration, absence of prudential credit concentration limits, inadequately defined lending limits, etc.

Bank has an effective mechanism for monitoring the overall composition and quality of the credit portfolio.

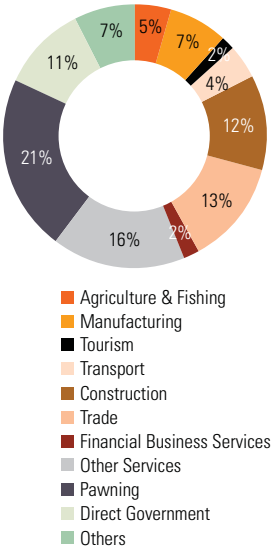
### Concentration Risk

Bank endeavors to maintain a well-balanced growth in its loan book across different sectors and business lines. An appropriate product mix is used to serve this diversified customer base which has significantly improved the overall profitability of the Bank.

Gross loans and advances of the Bank totaling to Rs. 552.8 billion. are diversified across different sectors.

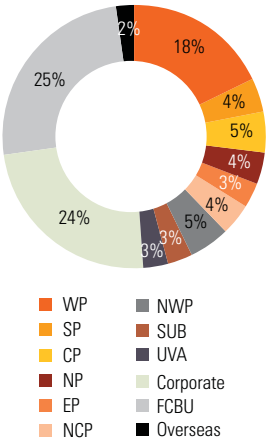
Bank's total commitments and contingencies amount to Rs. 314 billion.

**Credit Exposures by Sectors**

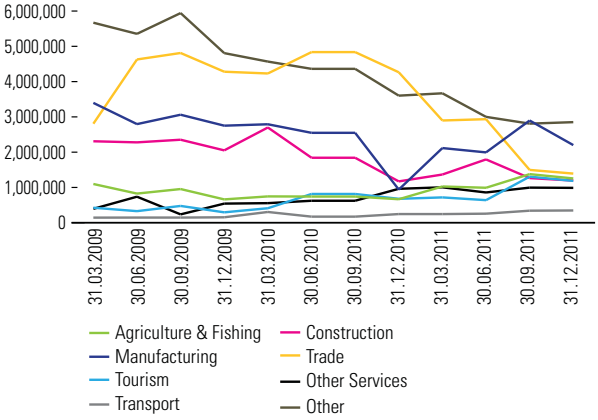


# Risk Management

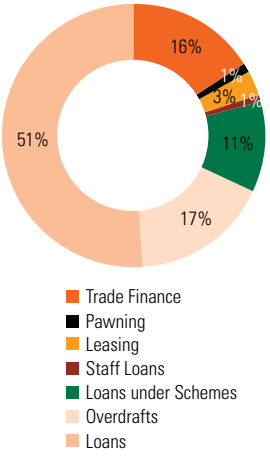
**Geographic Diversification**




**NPA Trend over the last 3 years**

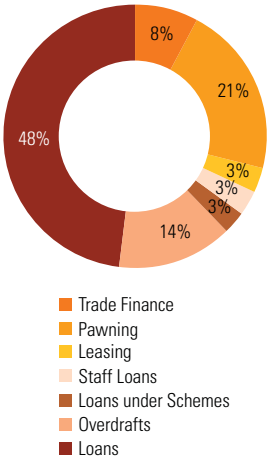



**NPA by Product Type**




Bank maintains a satisfactory provision coverage ratio to protect the quality of its asset portfolio from any downside growth risks. Bank's NPA Coverage Ratio as at 31st December 2011 was 62.8% as against 56.9% as at 31st December 2010.

**Credit Exposure by Product Type**




## Asset Quality

Bank adopts a strong follow-up mechanism for speedy recovery of its NPAs and this strategy yielded very good results for the Bank's focused recovery approach.

**Provisioning Policies**

Provision for non-performing loans and advances is made on the basis of a continuous review of all loans and advances in accordance with the applicable Accounting Standards and the regulations imposed by the CBSL. The provisioning policy of the Bank is given under the Accounting Policies on page 185 to 187.

## Market & Liquidity Risk Management

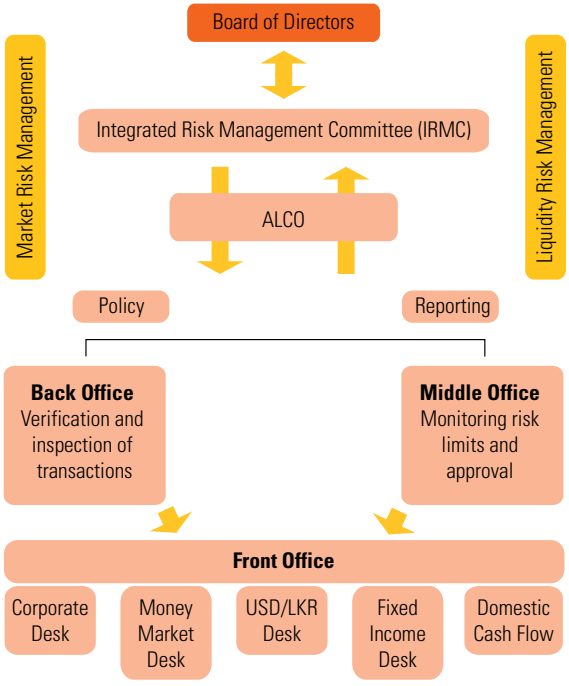
BoC manages market risk centrally within its trading and non-trading portfolios through a comprehensive market risk management framework. This framework includes market risk limits, risk appetite limits, value-at-risk (VaR), stress testing and sensitivity analysis.

The primary objective of Market Risk Management is to ensure that the Bank optimises the risk-reward relationship and does not expose the Bank to unacceptable losses outside of its risk appetite. Therefore, IIRMD seeks to facilitate efficient risk/return decisions, reduce volatility in operating performance and provide transparency into the Bank's market risk profile for senior management, the Board of Directors and the regulators. IIRMD is responsible for the following functions:

- Review of market risk policy framework
- Independent measurement, monitoring and control of different market risks
- Defining, reviewing and monitoring of limits
- Performance of stress testing and qualitative risk assessments
- Regular and ad-hoc reporting of market risk to the Board through IRMC

A daily market risk report summarises the Bank's market risk exposures against agreed limits. This report addresses all key risk factors such as interest rate, foreign exchange, equity risk and movements in commodity prices such as oil, gold and tea. The report is monitored by the appropriate business risk managers.

**Market Risk Management Framework**

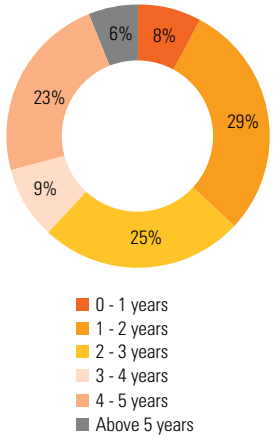



## Interest Rate Risk Management

Interest rate risk represents the most significant market risk exposure to financial instruments. 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 is measured as the potential volatility in the net interest income caused by changes in market interest rates. Client facing activities, primarily lending and deposit taking create interest rate sensitive positions on the balance sheet. Interest rate risk from these activities as well as the impact of ever changing market conditions is mitigated through various hedging decisions approved by the ALCO.

Present Value per Basis Point (PVBP)* is calculated weekly to monitor the impact of interest rate changes on our trading portfolios of treasury bonds and bills.

**Maturity Analysis of Treasury Bond Trading Portfolio**




**PVBP Analysis - Bond Trading Portfolio**

| | Immediate change in rates | | | |
|---|---|---|---|---|
| **December 31 (Rs. Million)** | **+200bp** | **+100bp** | **-100bp** | **-200bp** |
| 2011 | 447 | 227 | 236 | 481 |
| 2010 | 675 | 344 | 357 | 729 |

** PVBP is the estimated change in the value of Treasury Bills & Bonds portfolio due to 1 basis point change in interest rate.*

## Liquidity Management and its Importance to BoC

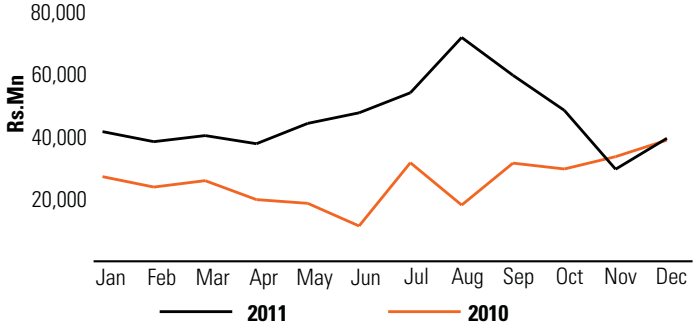
Effective management of liquidity is more critical now than ever before. The recent global financial crisis emphasised the need for sound liquidity management strategies by financial institutions. At BoC Liquidity risk is regarded as one of the major risks.

Almost every financial transaction that the Bank undertakes has implications for the overall liquidity position. With a large number of varied transactions to track daily, funding risk and identifying issues in a timely manner continues to be a challenge. Bank's ability to meet its obligations as they fall due without undertaking unacceptable losses or being a threat to its reputation, where counter parties accept to transact with the Bank, all depend on the way liquidity management is done within the Bank.

The Asset and Liability Management Unit (ALM) is responsible for the Bank wide liquidity risk management while the IIRMD monitors the entire process. Cash inflows and outflows of assets and liabilities are placed in the respective time bands considering the residual time to maturity. This maturity analysis helps the Bank to identify the mismatches in the asset and liability profile thereby enabling funding decisions to be made. Key liquidity ratios are also monitored for prudent management of liquidity risk.

As part of its sound liquidity risk management, the Bank maintains high quality liquid assets such as government bonds and has agreed emergency borrowing facilities. Further, periodic stress tests are carried out to determine the effects of specific, extreme but plausible events. The results of certain specific, scenarios are presented to IRMC and the Board of Directors.

**Unencumbered Securities available for Funding**



# Risk Management

## 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 Bank's value of foreign exchange positions. Bank takes foreign exchange positions subject to regulator limits to facilitate client business. The Bank maintains open positions well below the prescribed regulatory limits.

BoC on a daily basis 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.

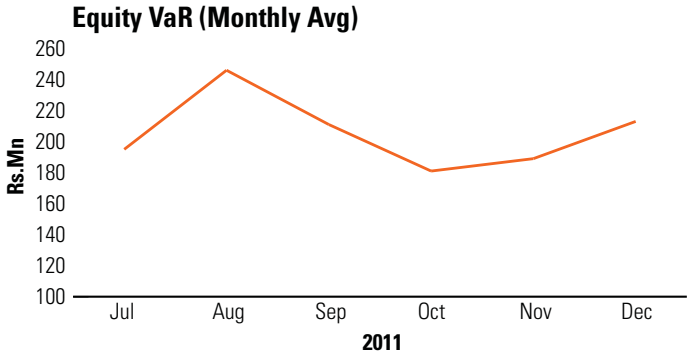
At the initial period of 2010, VaR for foreign exchange risk was calculated based on 30 day horizon and later it was expanded to over one year to comply with Basel II requirements. As per the guidelines of the same direction, 10 day VaR** was also calculated on a daily basis and reported to the executive management.

*** VaR is the estimated maximum loss that the Bank may incur in a given period at 99% confidence level.*

## Equity Risk

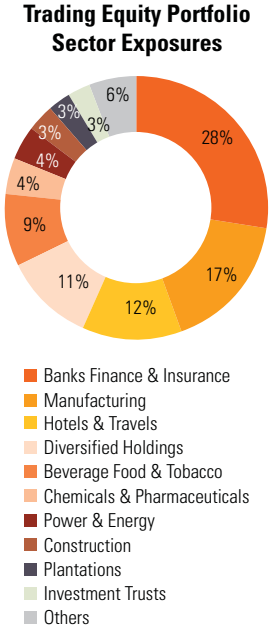
Equity price risk arises from the possibility that equity prices will fluctuate, affecting the value of trading equities.

Within the Board approved trading portfolio limit, Bank maintains positions in the securities listed in the Colombo Stock Exchange for the purpose of benefiting from short term price movements. The value of equity securities held in the Bank's trading portfolio is directly linked to equity security prices with increases/ decreases being monitored on a daily mark to market process.




The Bank monitors equity risk through limits stipulated in the Investment Policy, risk appetite limits and VaR measurements. All investments are approved by the Investment Committee that include officers who are not part of the corporate lending businesses.

Through the Investment Policy, limits are set establishing expected levels for total and percentage level of investment in order to manage concentration risk in the equity portfolio. Bank is committed to maintaining a well diversified trading equity portfolio in order to capture the diversification benefits.




VaR for equity risk is measured on a weekly basis and reported to executive management. The chart shows the behaviour of the overnight Equity VaR at a 99% confidence level for 2011.

## Operational Risk Management

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. This includes legal risk but excludes strategic and reputation risk. Operational risks are inherent in the Bank's business activities and are typical of any organisation.

It is not cost effective to eliminate all operational risks and in any event it would not be possible to do so. Losses from operational risks of small significance are expected to occur and are accepted as part of the normal course of business. Those of material significance are rare and the Bank seeks to reduce the likelihood of these events to be in line with its Risk Appetite.

BoC benchmarks its internal operational risk practices with international best practices and drives the development of advanced operational risk techniques. The Bank operates within a robust system of internal controls that enables business to be transacted and risk taken without exposing to unacceptable losses or reputation damage.

BoC applies Basic Indicator Approach to calculate the capital charge for operational risk under Basel II, since January 2008.

ORMEC has the authority to address cross-functional risk issues with a view to implementing and maintaining the highest operational standards for the Bank. The committee also provides the means to ensure that the risk management programme is truly enterprise-wide. Operational risk issues are brought to the notice of ORMEC by the business units and the committee reviews the matters and makes recommendations to prevent recurrence in future.

The Bank believes that effective management of operational risk requires a common bank-wide framework with ownership residing with the management responsible for the relevant business process. Under this framework, each individual business area takes responsibility for its operational risks and the provision of adequate resources and procedures for the management of those risks.

## Operational Risk Management Framework

Operational risk management governance framework of the Bank is well established over several years and it comprises of Organisational Structure & Governance Policies, Procedure & Strategy and Methodologies & Processes for operational risk management.

The operational risk management framework comprises a number of elements which allows to manage and measure the operational risk profile of the Bank. The minimum, mandatory requirements for each of these elements are set out in the Bank's operational risk management policy. This framework is implemented vertically, through the organisational structure with all business units required to implement and operate an operational risk management framework that meets the minimum requirements detailed in the operational risk management policy.

The Bank utilises a number of bank-wide tools for the management and reporting of operational risks. These include Risk and Control Self Assessment (RCSA), scenario analysis, Key Risk Indicators (KRI) reporting and the collection, reporting & analysis of internal and external loss data. Knowledge and experiences are shared throughout the Bank to maintain a coordinated approach.

The operational risk framework includes the following elements.

**Risk Assessments**

The Bank identifies and assesses all material risks within each business unit and evaluates the key controls in place to mitigate those risks. Managers of the business units use RCSA techniques to identify risks, evaluate the effectiveness of controls in place and assess whether the risks are effectively managed within the risk appetite of the Bank. The business units are then able to make decisions on what, if any, action is required to reduce the level of risk to the Bank.

**Risk Events**

A standard threshold is used across the Bank for reporting risk events and analyze to identify where improvements are needed for the processes or controls, to reduce the recurrence and/or magnitude of risk events.

The Bank has a process for monitoring operational risk-event data, permitting analysis of errors and losses as well as trends. Such analysis, performed both at a line-of-business level and by risk-event type, enables identification of the causes associated with risk events faced by the business units.

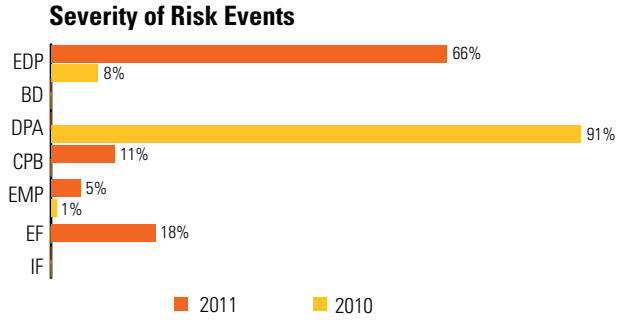
The centralised database supplements Bank's ongoing operational risk measurement and analysis of information.

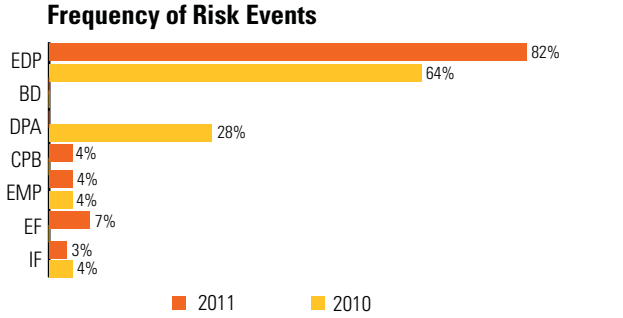
**Key Risk Indicators**

KRIs are metrics which allow the Bank to monitor its operational risk profile. KRIs include measurable thresholds that reflect the risk appetite of the business. KRIs are used as early warnings and monitored to alert management when risk levels exceed acceptable ranges or risk appetite levels to drive timely decision making.

**Reporting**

The ongoing monitoring and reporting of operational risk is a key component of an effective operational risk management framework. Reports are used by the operational risk function and by business functions to understand, monitor, manage and control operational risk profile.




**Abbreviations of Level 1 Loss Events**

| | | | | | |
|---|---|---|---|---|---|
| IF | - | Internal Fraud | DPA | - | Damage to physical assets |
| EF | - | External Fraud | BD | - | Business disruption & System failures |
| EMP | - | Employment Practices and Workplace Safety | EDP | - | Execution, Delivery & Process Management |
| CPB | - | Clients, Products & Business Practices | | | |

Bank wide operational risk issues, exposures identified through operational risk management methodology such as RCSA process, KRI and reports on Operational Loss Events are reported to the monthly ORMEC meetings, where a summary report is submitted to the IRMC on a quarterly basis.

## Fraud Risk Management

During the year under review the Bank approved the Fraud Risk Management Policy and terms of reference for the Fraud Risk Management Committee (FRMC).

This policy outlines the Bank's commitment to the effective prevention, reduction and eradication of incidents of fraud. This policy also aims to protect the brands, reputation and assets of the Bank from loss or damage, resulting from suspected or confirmed incidents of fraud.

FRMC of the Bank is entrusted with ensuring the implementation of the fraud risk management policy and creating fraud awareness amongst all stakeholders. The CRO acts as the Chairman of the committee.

## Insurance

As part of its risk management approach, the Bank also uses insurance as a risk transfer strategy to mitigate the impact of operational losses which may occur as a result of third party claims resulting from errors and omissions, physical loss of securities, employee or third party frauds and natural disasters.

### Information System Security

The Bank has revised the Information Security Policy (ISP) as per ISO 27001:2005 Information Security Management System (ISMS) requirements. The Board of Directors approved the revised ISP and recommended implementing the information security controls mentioned therein.

### Managing Emergency Situations

The Bank's Business Continuity Plan (BCP) is a component of Business Continuity Management. It is a comprehensive plan of actions that sets out the processes, procedures and systems that is necessary to continue or restore the operations of the organisation in the event of disasters of varying degree.

The Bank's BCP including disaster recovery strategies were initially developed and documented in 2006 and subsequently revised.

Business Continuity Coordinating Unit is responsible for governance and oversight of the Bank's business continuity. During the year under review, successful simulation tests were carried out by the Bank including all critical departments and selected branches covering all provinces. These tests were done with increasing the complexity, varying the level of participation and physical locations involved. Business continuity awareness programs were conducted for all the key personnel of the Bank.

A fully fledged disaster recovery center is in place outside city limits with alternative arrangements to facilitate continuing critical operations in an event of various pre-defined scenarios. IIRMD oversees the functioning of BCP and reports to the ORMEC and the IRMC.

## Compliance Risk

Compliance Risk is the risk of legal or regulatory sanctions, material financial losses, or loss to reputation, the Bank may suffer as a result of its failure to comply with laws, regulations, organisation standards and code of conduct. To enhance sound policies in the Bank, BoC organises its compliance function to ensure that management takes appropriate corrective actions when compliance failures are identified.

Ongoing reforms in the Banking industry, changes to regulations and the introduction of new legislations, have placed greater emphasis on the need for formal and structured monitoring of compliance with legal and regulatory requirements. The Bank remains committed to comply fully with both the spirit and the letter of applicable laws and regulations and to always act with care and due diligence. Compliance is not just the responsibility of the Bank's dedicated Compliance Officer, but concerns its entire staff of the Bank. The risk of non-compliance with legal and regulatory requirements ranges from potential financial loss resulting from regulatory sanctions, to loss of business and/or franchise, as well as damage to the Bank's reputation.

The CBSL is the lead regulator and requires all commercial banks to be in full compliance with the directions, circulars and guidelines. The Bank has a close working relationship with the CBSL, Securities & Exchange Commission and other regulators.

### Compliance Framework

Compliance is a part of the culture of the Bank. The Bank holds itself to high standards of integrity and behaviour, which builds trust while complying with regulatory requirements. The Bank closely monitors the impact of its actions on the shareholders, customers, employees and the markets which may result in significant adverse publicity and reputation damage even if no law has been broken.

In ensuring compliance with laws and regulations, the Bank has put in place a robust compliance framework. The Compliance function, ensures that the compliance process operates effectively and monitors to ensure that statutory and regulatory requirements are adhered to and ensures that breaches are promptly reported. The Bank has in place a comprehensive Compliance Procedure Manual, which is accessible to all staff of the Bank.

Compliance functions are decentralised across all business units, adhering with the compliance requirements but the Compliance Unit independently monitors the business units to ensure adherence to policies and procedures and other regulatory requirements. It works closely with the business and operational units to ensure consistent management of compliance risk. Compliance Unit's involvement in the early stages of new product developments, has established right controls in the processes and systems.

The Compliance Unit provides regular training to ensure that all employees are familiar with regulatory obligations and also provides advice on regulatory issues. The Compliance Unit is charged with developing and maintaining constructive working relationships with regulators and supervisors in the geographies the Bank operates in.

### Regulatory Compliance

The Bank considers compliance with the regulatory requirements and guidelines as core to its business and good governance. As per the Corporate Governance directives, the Board ensures compliance with all prudential requirements, regulations, laws and internal controls affecting the Bank.

During the period under review there were no material non compliance with prudential requirements, regulations, laws and internal controls pertaining to the Bank.

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

There has been substantial focus on implementing the new directive and legislative requirements related to anti-money laundering and financial crime across the world. In response to international best practices and global standards of AML & CTF, Government of Sri Lanka has enacted laws applicable to licensed commercial banks. Accordingly CBSL has issued Know Your Customer (KYC)/ Customer Due Diligence (CDD) rules in 2007 and thereafter the Bank has implemented policies which include obligations such as customer identification & verification, record-keeping, monitoring and the establishment & maintenance of AML/CTF programmes. The Compliance Unit has conducted continuous training and awareness programmes for all the employees of the Bank. During this year, Bank's policies and procedures were reviewed and updated in line with the new regulations such as 'third party depositors' details. Strong KYC/CDD measures are applied for all BoC customers including all correspondent bank relationships. Compliance Unit is working towards introducing an advance AML/ CTF standalone software solution to control and monitor the Money Laundering and Terrorist Financing activities.

# Corporate Governance

The Bank of Ceylon continues with its strategy of being in line with best practices in respect of corporate governance as a vital element in enhancing the Bank's financial growth, competitiveness and implementing its sustainability framework. It firmly believes that a sound system of governance is also fundamental in attracting and maintaining public confidence in the Bank especially because, the Government owns it and the pivotal and dominant role the Bank plays in the Sri Lanka economy, carrying substantial influence and leadership over many matters of policy and practice.

Conscious of the above, 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 monitors the progress.

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.

The governance in the Bank covers many stakeholders, the relationships between them and the strategic vision of the Bank. The stakeholders comprise the single shareholder, depositors, customers, the Board of Directors, management, employees, International Banks, suppliers, regulators, investors (in debentures issued by the Bank) and society at large. All parties mentioned have either a direct or an indirect interest in corporate governance as it helps in the effective performance of the Bank. The Bank has adopted a Communication Policy covering all its stakeholders.

The Board is committed to 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 it 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 Practices 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.

The disclosures below demonstrate the Bank's adherence to disclosure requirements of 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 and the level of conformance to 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 in 2008.

# Corporate 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.<br>The Bank's objectives and values are incorporated in the rolling Corporate Plan and they are communicated with the launch of the Corporate Plan and by way of meetings held with provincial teams. |
| | 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.<br>Overall business strategy of the Bank was incorporated into the rolling Corporate Plan prepared for the years 2011 to 2013 which was adopted by the Board. Action Plan based on the said Corporate Plan which was also approved by the Board indicated the measurable goals. In addition, the Bank has adopted a Risk Policy which includes risk management procedures and mechanisms. |
| | c) Identify the principal risks and ensure implementation of appropriate systems to manage the risks prudently; | Complied.<br>Principal risks are identified through the Risk Policy adopted. Identification of the principle risks relating to credit, market, operation and strategic and the availability of the appropriate systems to manage the risks are ensured through the Integrated Risk Management Committee (IRMC) which reports to the Board. Risk Management Reports are submitted to IRMC and then to the Board. |
| | d) Approve implementation of a policy of communication with all stakeholders, including depositors, creditors, share-holders and borrowers; | Complied.<br>A Communication Policy is in place and it was reviewed at the end of the year. 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.<br>The Board reviewed the adequacy and the integrity of the Bank's internal control systems and management information systems through the Audit Committee. |
| | 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.<br>The Board of Directors, General Manager and Deputy General Managers and officers in the allied grade are considered as key management personnel. |

| 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.<br>A Board Charter is in place which is reviewed periodically whereby the authority and responsibilities of the Board is clearly identified.<br>The tasks of the key management personnel are identified in their job profiles and job descriptions. |
| h) Ensure that there is appropriate oversight of the affairs of the bank by key management personnel, that is consistent with board policy; | Complied.<br>The Board carries out this task by reviewing the progress towards the achievement of the Corporate Plan objectives based on the Action Plan made available to all key management personnel. Key management personnel are called to the Board meetings as and when needed to obtain clarifications relating to their respective areas of operation. |
| i) Periodically assess the effectiveness of the board directors' own governance practices, including: | Complied.<br>Implementation of governance practices are reviewed periodically by the Nomination and Corporate Governance Committee and reported to the Board through its minutes. |
| (i) the selection, nomination and election of directors and key management personnel; | Bank of Ceylon being wholly owned by the Government of Sri Lanka, 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 which is the enactment by which the Bank of Ceylon was established. All key management personnel are appointed by the Board after a Board interview. |
| (ii) the management of conflicts of interests; and | Complied.<br>Any conflicts of interests are reported to the Board.<br>A Policy on Conflicts of Interest has been adopted and is in place. |
| (iii) the determination of weaknesses and implementation of changes where necessary; | Complied.<br>Any weakness in the governance practices are monitored by the above mentioned Nomination and Corporate Governance Committee in its overall evaluation of the compliance with the applicable governance practices and reported to the Board. |
| j) Ensure that the bank has an appropriate succession plan for key management personnel; | Complied.<br>A succession plan is in place in the Bank for key management personnel. |

| PRINCIPLES | | LEVEL OF COMPLIANCE |
|---|---|---|
| | 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.<br>The Board meets the key management personnel on a needs basis in reviewing policies etc. This is in addition to the weekly review meetings the Chairman has with the key management personnel of the Bank to review the progress towards the corporate objectives and financial targets. |
| | l) Understand the regulatory environment and ensure that the bank maintains an effective relationship with regulators; | Complied.<br>On appointment as Directors they are exposed to all the regulatory requirements. Any fresh directions, circulars issued are made available to the Directors. |
| | m) Exercise due diligence in the hiring and oversight of external auditors. | 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 prior approval of the Minister in charge of the subject of Finance as provided in the Bank of Ceylon Ordinance No.53 of 1938 and its amendments.<br>However, the Chairman is appointed by the Minister in charge of the subject of Finance in terms of the Bank of Ceylon Ordinance referred to above and he is a Non-Executive Director.<br>A Board Charter is in place defining the responsibilities of the General Manager, Chairman and the Board. |
| 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.<br>The Board of Bank of Ceylon meets on a twice a month basis. Number of meetings held and the attendance of Directors during the year 2011 are given on page 95 of this Annual Report. Passing circular resolutions were minimal. During the year under review two circular resolutions were 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.<br>The Board Charter ensures that Directors are allowed to include any item to the agenda where such matters and proposals relate to the promotion of business and the management of risks of the Bank. |
| 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.<br>The annual calendar of Board meetings is made and circulated to the Board of Directors before the beginning of the year. Reasonable notice is given before any special meeting. |

| PRINCIPLES | | LEVEL OF COMPLIANCE |
|---|---|---|
| 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. | This situation has not arisen in the year under review. The Secretary to the Board monitors the attendance and ensures compliance with this Direction. |
| 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.<br>An attorney-at-law is the Secretary to the Board. She satisfies the provisions of Section 43 of the Banking Act No. 30 of 1988. She carries out the tasks specified in the statutes and applicable regulations. |
| 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. |
| 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. |
| 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.<br>Detailed minutes are kept covering the given criteria. |
| 3 (1) (xi) | There shall be a procedure agreed by the board to enable directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the bank's expense. The board shall resolve to provide separate independent professional advice to directors to assist the relevant director or directors to discharge his/her/their duties to the bank. | Complied.<br>The Bank has adopted a Policy for Directors' Access to Independent Professional Advice and the Board can resort to such advice when deemed necessary. |

| PRINCIPLES | | LEVEL OF COMPLIANCE |
|---|---|---|
| 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.<br>A Policy on Conflict of Interest has been adopted. Any interests are disclosed to the Board and the interested Directors do not participate in the decision making on matters in which they have an interest. Such Director is not counted in the quorum. On the appointment of a Director a statement informing the companies etc. in which he /she is a director /partner/ shareholder etc. is tabled before the Board. This statement is taken on a yearly basis and tabled before the Board. In addition, at every Board meeting held fortnightly, Directors declare if they have any conflict of interest and it is recorded in minutes. |
| 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.<br>The Board Charter in place addresses this Direction under the section on Powers Reserved to the Board. This section addresses the schedule of matters specifically reserved to it for decision to identify the direction and control of the Bank. |
| 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. | The situation has not arisen. |
| 3 (1) (xv) | The board shall ensure that the bank is capitalised at levels as required by the Monetary Board in terms of the capital adequacy ratio and other prudential grounds. | The Bank is fully compliant with capital adequacy requirements of the Monetary Board. The Board ensures this through the monthly financial information submitted to the Board. Please refer page 3 for the Capital Adequacy Ratios. |
| 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 by including this report in the Annual Report of the Bank. |
| 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.<br>The self assessment of the Board is carried out annually and the evaluation records are maintained. The evaluation exercise is facilitated by the Nomination and Corporate Governance Committee of the Board. |
| 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 of Bank of Ceylon is 6 and the present Board consists of 6 Directors. (This deviation is permitted under the general provisions given under 3(9)(ii) of this Direction). |

| PRINCIPLES | | LEVEL OF COMPLIANCE |
|---|---|---|
| 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.<br>(B) In this context, the following general exemption shall apply:<br><br>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. | Presently no Director of Bank of Ceylon has been in office for a period exceeding 9 years. Year and month of the appointment of the present Directors are given on pages 18 and 19 of this Annual Report under the Profiles of the Directors.<br><br>Not applicable. |
| 3 (2) (iii) | An employee of a bank may be appointed, elected or nominated as a director of the bank (hereinafter referred to as an "executive director") provided that the number of executive directors shall not exceed one-third of the number of directors of the board. In such an event, one of the executive directors shall be the chief executive officer of the bank. | No employee of Bank of Ceylon has been appointed as a Director of it and therefore there are no Executive Directors on the Board of Bank of Ceylon. |
| 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>A non-executive director shall not be considered independent if he/she:<br>a) has direct and indirect shareholdings of more than 1 per cent of the bank;<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>c) has been employed by the bank during the two year period immediately preceding the appointment as director;<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>e) represents a specific stakeholder of the bank;<br>f) is an employee or a director or a material shareholder in a company or business organisation:<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>II. in which any of the other directors of the bank are employed or are directors or are material shareholders; or<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.<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. They are identified on pages 18 and 19 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 for Independent Directors. |

| PRINCIPLES | | LEVEL OF COMPLIANCE |
|---|---|---|
| 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. |
| 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 01 2010 onwards. | Complied with. All the Board members of Bank of Ceylon are Non-Executive. |
| 3 (2) (viii) | The independent non-executive directors shall be expressly identified as such in all corporate communications that disclose the names of directors of the bank. The bank shall disclose the composition of the board, by category of directors, including the names of the chairman, executive directors, non-executive directors and independent non-executive directors in the annual corporate governance report. | Complied.<br>The composition of the Board of Directors are as given below:<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. Nalini Abeywardane - Non-Executive Director<br>• Mr. Chandrasiri de Silva - Non-Executive Director<br>• Mr. K.L. Hewage-Independent Non-Executive Director |
| 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 the enabling enactment. |
| 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. |
| 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. | The Minister in charge of the subject of Finance does the appointments as well as the removals on behalf of the Government of Sri Lanka, the sole shareholder of the Bank. 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. |

| PRINCIPLES | | LEVEL OF COMPLIANCE |
|---|---|---|
| **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. 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. | All the present Board members of Bank of Ceylon are in compliance with this rule. |
| 3 (3) (ii) | A person shall not hold office as a director of more than 20 companies/entities/ institutions inclusive of subsidiaries or associate companies of the bank. 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. | Directors of Bank of Ceylon are in compliance with this rule. |
| 3 (3) (ii) | (A) 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. | Not applicable. |
| **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.<br>Bank of Ceylon Ordinance No.53 of 1938 and its amendments provides for delegation of functions of the Board. The Board may delegate any of its powers other than the power to appoint the General Manager 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. | Complied.<br>Delegated powers are reviewed periodically to ensure that they remain relevant to the needs of the Bank. |
| 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. |
| **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. | Complied.<br>The positions of the Chairman and the Chief Executive Officer referred to as the General Manager in Bank of Ceylon are held by two different individuals. |
| 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. | The Chairman of Bank of Ceylon is an Independent Non-Executive Director. |

| PRINCIPLES | | LEVEL OF COMPLIANCE |
|---|---|---|
| 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.<br>The Chief Executive Officer (referred to as the General Manager in Bank of Ceylon) - Mr.B.A.C. Fernando up to 12th August 2011 and Ms. W.A. Nalani from 13th August 2011.<br>Declarations have been obtained from the Chairman and both the Chief Executive Officers who held office during the year 2011 stating that they have no relationships as described in this Direction.<br>Directors also have submitted declarations stating that they also have no such relationships amongst them and with the Chief Executive Officers. |
| 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.<br>The Chairman provides leadership to the Board and ensures that the Board functions effectively in discharging its responsibilities. The Board in a timely manner deliberates all key issues. |
| 3 (5) (v) | The chairman shall be primarily responsible for drawing up and approving the agenda for each board meeting, taking into account where appropriate, any matters proposed by the other directors for inclusion in the agenda. The chairman may delegate the drawing up of the agenda to the company secretary. | Complied.<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.<br>Adequate information is provided in a timely manner through the Board memoranda submitted to the Board. Generally Board memoranda are circulated 6 to 7 days before the Board meeting. 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. |
| 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. |
| 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.<br>The full 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. |

| PRINCIPLES | | LEVEL OF COMPLIANCE |
|---|---|---|
| 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. | 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.<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.<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. The Secretary to the Board has been appointed as the Secretary to all the subcommittees and maintains minutes etc. under the supervision of the Chairmen of the Committees. Reports on the performance of each committee are included in this Annual Report on pages 88 to 94. |
| 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. | Alternate Director to the Ex officio Director, who is a Non-Executive Director and who holds qualifications and experience in accountancy and audit, functions as the Chairman of the Audit Committee meetings with the permission of the Central Bank of Sri Lanka. |
| | b) All members of the committee shall be non-executive directors. | Complied. |
| | c) The committee shall make recommendations on matters in connection with: | |
| | (i) the appointment of the external auditor for audit services to be provided in compliance with the relevant statutes; | Not applicable since the Bank's Auditor is the Auditor General in terms of the Constitution of Sri Lanka. |
| | (ii) the implementation of the Central Bank guidelines issued to auditors from time to time; | Complied. |
| | (iii) the application of the relevant accounting standards; and | The significant accounting policies that have been developed based on the Sri Lanka Accounting Standards are reviewed by the Committee with the financial statements and the Committee makes the necessary recommendations on the application of such policies. |

| PRINCIPLES | LEVEL OF COMPLIANCE |
|---|---|
| (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 the Auditor General being the Auditor of the Bank in terms of the Constitution of Sri Lanka. |
| 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. | Independence of the Auditor General is guaranteed under the Constitution of Sri Lanka. |
| 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. |
| 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; | Complied.<br>This is a continuing process carried out in reviewing monthly, quarterly and annual financials. |

| PRINCIPLES | LEVEL OF COMPLIANCE |
|---|---|
| (iv) the going concern assumption; and<br>(v) the compliance with relevant accounting standards and other legal requirements. | |
| 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.<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. |
| II. Review the internal audit programme and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit department; | Complied. |
| III. Review any appraisal or assessment of the performance of the head and senior staff members of the internal audit department; | Appraisal of the Chief Internal Auditor is 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; | Appointment / termination of Chief Internal Auditor is recommended by the Audit Committee to the Board. Other senior positions are filled as per the Board approved promotion scheme of the Bank. If any outsourced service providers are to be appointed it would be with the recommendation of the Committee. |
| 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 when such situations arise. |
| 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.<br>According to the organisation structure, 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. |

| PRINCIPLES | | LEVEL OF COMPLIANCE |
|---|---|---|
| | 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.<br>The Chief Financial Officer, the Chief Internal Auditor, the General Manager and a representative of the Auditor General participate at all Committee meetings.<br>There are no Executive Directors on the Board of the Bank of Ceylon. |
| | 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. |
| | 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.<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.<br>Activities of the Committee are reported in Audit Committee Report on pages 89 and 90.<br>The Committee met twelve times during the year 2011 and details of attendance are given on page 95. |
| | 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. |
| | 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.<br>The Bank has adopted a Whistle Blower Policy and significant findings are reported to the Committee. |
| 3 (6) (iii) | The following rules shall apply in relation to the **Human Resources and Remuneration Committee**:<br>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. | Directors' remuneration is based on the circulars issued by the Ministry in charge of the subject of Finance. Any deviation is made with the approval of the said Ministry. Remuneration of Bank Officials are reviewed once in three years with the approval of the Minister in charge of the subject of Finance. The Committee makes recommendations on the remuneration of CEO (General Manager in the case of Bank of Ceylon) and key management personnel. |

| PRINCIPLES | | LEVEL OF COMPLIANCE |
|---|---|---|
| | 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. CEO 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 CEO 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.<br>Matters relating to CEO were not discussed during the year. |
| 3 (6) (iv) | The following rules shall apply in relation to the **Nomination Committee**: | Bank of Ceylon 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. Changes to such approved schemes are recommended by this Committee. Please refer the report of the Committee given on page 92 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 in view of the reasons given above. |
| | 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 key management positions. |

| PRINCIPLES | | LEVEL OF COMPLIANCE |
|---|---|---|
| | 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. | Compiled.<br>The Bank has submitted to the Central Bank of Sri Lanka the required declarations and affidavits complying with this requirement. |
| | 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 and as such this Committee plays no role in the appointment of Directors. A succession plan is in place with regard to key management personnel. |
| | 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.<br>Please refer the report of the Committee given on page 92 of this Annual Report for details in this regard. |
| 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. | Complied.<br>This Committee being a Board's subcommittee, consists of three Non-Executive Directors and the Chief Executive Officer (referred to as the General Manager in the Bank) and the Chief Risk Officer participates at the meetings to assist the Committee. Other key management personnel are invited to the meeting 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. | Risks are assessed by the Committee as required and submitted to the Board.<br>In the case of subsidiaries and associates, the Bank conducts workshops on risk management and impact studies are done as and when the need arises. In addition, the Bank has introduced a Subsidiaries Management Charter for implementation by all the Directors nominated by the Bank to the Boards of its subsidiaries (as well as associates to the extent possible) which includes risk management in the subsidiaries. |

| PRINCIPLES | | LEVEL OF COMPLIANCE |
|---|---|---|
| | 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. | Compiled. |
| | 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. | Compiled. |
| | e) The Committee shall meet at least quarterly to assess all aspects of risk management including updated business continuity plans. | Compiled. Details are disclosed on page 95 of this Annual Report. |
| | 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. | Complied with subject to the Disciplinary Code of the Bank. |
| | 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. | Risk assessment reports submitted to the Committee are placed before the Board. In addition minutes of the Committee meetings are submitted to the next immediate Board meeting. |
| | (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. | Compliance unit has been established at the Bank to assess its compliance with laws, regulations, regulatory guidelines, internal controls and approved policies on all areas of business operations.<br>The Compliance Officer submits monthly and quarterly compliance reports to the Committee and the Board. |
| **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>a) Any of the bank's subsidiary companies;<br>b) Any of the bank's associate companies;<br>c) Any of the directors of the bank;<br>d) Any of the bank's key management personnel;<br>e) A close relation of any of the bank's directors or key management personnel;<br>f) A shareholder owning a material interest in the bank;<br>g) A concern in which any of the bank's directors or a close relation of any of the bank's directors or any of its material shareholders has a substantial interest. | Complied.<br>A policy on Related Party Transactions has been adopted. Transactions are monitored through an automated system.<br>Transactions carried out with related parties in the normal course of business are disclosed in Note 49 on "Related Party Disclosures" on pages 259 to 263 of this Annual Report. |

| 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.<br>Information in this regard, which are transactions carried out in the normal course of business is disclosed in Note 49 on "Related Party Disclosures" on pages 259 to 263 of this Annual Report. |
| 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.<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). |
| 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. |

| PRINCIPLES | | LEVEL OF COMPLIANCE |
|---|---|---|
| 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. | No such situation has arisen during the year under review. The automated system mentioned under 3(7)(i) addresses this. |
| 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. Procedure in practice in this regard would be documented. |
| 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.<br>No such event took place during the year under review. |
| **3 (8) Disclosures** | | |
| 3 (8) (i) | The board shall ensure that:<br>a. annual audited financial statements and quarterly financial statements are prepared and published in accordance with the formats prescribed by the supervisory and regulatory authorities and applicable accounting standards, and that<br>b. such statements are published in the newspapers in an abridged form, in Sinhala, Tamil and English. | Complied. |
| 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. |

| PRINCIPLES | | LEVEL OF COMPLIANCE |
|---|---|---|
| | 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.<br>Please refer page 169. |
| | c) The external auditor's certification on the effectiveness of the internal control mechanism referred to in Direction 3(8)(ii)(b) above, in respect of any statements prepared or published after December 31, 2008. | Complied.<br>The Bank has obtained an Assurance Report on the internal control mechanism over financial reporting based on the auditing framework issued by The Institute of Chartered Accountants of Sri Lanka. (ICASL) |
| | d) Details of directors, including names, fitness and propriety, transactions with the bank and the total of fees/remuneration paid by the bank. | Complied.<br>Please refer pages 18 and 19 for details of Directors, pages 259 to 263 on Related Party Disclosures for transactions and fees and page 197 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.<br>Please refer Note 49 on pages 259 to 263 for details. |
| | 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.<br>Please refer pages 259 to 263 under "Related Party Disclosures" |
| | g) The external auditor's certification of the compliance with these Directions in the annual corporate governance reports published after January 1, 2010. | The Auditor General has given a report on the status of compliance / factual findings on the compliance requirements under Direction No. 11 of 2007, based on the auditing framework issued by ICASL for this engagement. Any recommendations made by the Auditor General will be dealt within 2012. Also refer page 87 in this regard. |
| | 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.<br>Please refer page 64 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 by 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. |
| **3 (9) Transitional and other general provisions** | | |
| 3 (9) (i) | Compliance with this Direction shall commence from January 01 2008 onwards and all licensed commercial banks shall fully comply with the provisions of this Direction by or before January 01 2009 except where extended compliance dates have been specifically provided for in this Direction | Complied. |

| PRINCIPLES | | LEVEL OF COMPLIANCE |
|---|---|---|
| 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 the Bank of Ceylon Ordinary 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 |

Level of compliance with the Code of Best Practice on Corporate Governance issued jointly by the Securities and Exchange Commission of Sri Lanka & the Institute of Chartered Accountants of Sri Lanka are indicated below -

| Subject | Disclosure | Response |
|---|---|---|
| Chairman and CEO | If Chairman and CEO is one and the same person, disclose the Name of the Chairman/CEO and Senior Independent Director appointed and justification of the decision to combine the positions | The posts of Chairman and CEO are held by two individuals. |
| Board Balance | • Should identify the Independent Non-Executive Directors.<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 resume 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. |

| Subject | Disclosure | Response |
|---|---|---|
| Nomination Committee | The Chairman and members of the Nomination Committee should be identified. | Complied. Please refer page 92 of this Annual Report for details of the Nomination & Corporate Governance Committee. |
| Appraisal of Board performance | Should disclose how performance evaluations have been conducted. | Please see page 92. |
| Board Related Disclosures | The following details pertaining to each Director should be disclosed.<br>• name, qualification and brief profile;<br>• immediate family and/or material business relationships with other directors of the Company;<br>• names of other listed companies in Sri Lanka in which the Director concerned serves as a director;<br>• 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;<br>• number/percentage of board meetings of the Company attended during the year;<br>• names of the Committees in which the Director serves as the Chairman or a member; and<br>• number/percentage of committee meetings attended during the year. | Complied. Please refer following pages of this Annual Report -<br>Pages 18 and 19<br>Directors have confirmed that they have no such relationships.<br>Pages 18 and 19<br>Pages 18 and 19<br>Page 95<br>Page 88<br>Page 95 |
| Disclosure of Remuneration | • A Statement of Remuneration Policy and details of remuneration of the Board as a whole. | Please refer page 91 for information on Remuneration Policy. Please refer page 197 for remuneration of the Board for year 2011. |
| Major Transactions | All Major Transactions entered into by the Company should be disclosed. | Complied. |
| Audit Committee | • Names of the Members of the Audit Committee should be disclosed.<br>• Basis for determining the independence of auditors. | Names of Members of the Audit Committee are given in the Audit Committee Report on pages 89 and 90.<br>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.<br>• Should also disclose an affirmative declaration that they have abided by such Code.<br>• The Chairman must certify that he/she is not aware of any violation of any of the provisions of this Code. | Bank has a Code of Ethics for Directors. There is a separate Code of Ethics for employees.<br>Compliance certificates are obtained annually.<br>Complied. |
| Going Concern | Should report that the Company is a going concern, with supporting assumptions and qualifications as necessary. | Complied. |
| Members of Remuneration Committee | The names of members of Remuneration Committee should be disclosed in the Remuneration Committee Report | Complied.<br>Names of the Members of Remuneration Committee are given in the Human Resources and Remuneration Committee Report on page 91 of this Annual Report. |

| Subject | Disclosure | Response |
|---|---|---|
| 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.<br><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. Refer page 172.<br><br>Complied. Refer page 173. |
| 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. Please refer pages 30 to 55. |
| Corporate Governance Report | Should disclose the manner and extent to which the Company has complied with the principles and provisions of the Code. | Complied by this exercise. |
| Audit Committee Report | Should set out the work carried out by the Committee. | Complied. Please refer pages 89 and 90. |

## Report From the Auditor General on the Compliance Requirement of the Corporate Governance Direction No.11 of 2007

The Auditor General has performed procedures in accordance with the principles set out in Sri Lanka Standards on Related Services 4400 applicable to agreed-upon procedures engagements issued by The Institute of Chartered Accountants of Sri Lanka, to meet the compliance requirement of the Direction No.11 of 2007 on Corporate Governance issued by the Central Bank of Sri Lanka. His findings given in his report, were not materially different to the matters disclosed above and did not identify any significant inconsistencies to those reported above by the Board.

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

**Dr. Gamini Wickramasinghe**
Chairman

21st March 2012
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

### 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
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

# Audit Committee Report

## Role of the Committee

The main role 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 - *Member*

Mr. K.L.Hewage - *Member*

According to Banking Act Direction No. 11 of 2007 on Corporate Governance for Licensed Commercial Banks issued by the Central Bank of Sri Lanka, the Chairman of the Audit Committee should be independent and hold qualifications and experience in accountancy and/or audit. Bank of Ceylon is using the services of a Chartered Accountant with experience in the fields required, to chair the meetings of the Audit Committee, eventhough he cannot be considered independent in terms of the definition given for an Independent Director in the said Direction No. 11 of 2007 as he represents the Government of Sri Lanka, which is the sole shareholder of the Bank. The Central Bank of Sri Lanka was informed and its concurrence obtained for such arrangement.

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 18 and 19.

The quorum of the Committee is two members.

A representative of the Auditor General (External Auditor of the Bank), Chief Internal Auditor and the Chief Financial Officer of the Bank are present at the meetings. Opportunity is available to the External Auditor to meet the Committee without the Management's presence when necessary.

There are no members of the Management on the Committee. The General Manager attends the meetings by invitation. 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 12 times during the year under review. The attendance of Committee members at meetings is given in the table on page 95. For all these meetings due notice of meetings together with details/memoranda for discussion were made available.

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

### Internal Audit

- Effectiveness of the implementation of the Internal Audit Plan for year 2011 was monitored by way of regular reports and appropriate follow up action was 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.
- Reviewed the Business Continuity Plan/Disaster Recovery Plan of the Bank.
- Audit Committee Charter was reviewed and updated.
- Approved the Internal Audit Plan for year 2012.
- Formulating of a system to monitor and control the functional responsibilities of Internal Control Officers (ICOs) and performance of ICOs is still in progress.

### External Audit

- 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 2010, 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 Report to the Parliament.

- Reviewed the quarterly review reports submitted to the Central Bank of Sri Lanka (CBSL) on the Statutory Examinations carried out by CBSL with a view to expediting action on outstanding issues.

- Arranged and held discussions with the Auditor General twice during the year 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.

- Reviewed the reports of the Maldivian Monetary Authority and Reserve Bank of India, the regulators for banks in Male' and India respectively, in respect of the Bank's Male' Branch and Chennai Branch with a view to taking corrective action and following up on the recommendations.

**Financial Reporting**

- 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.

- Reviewed the Internal Controls.

- Reviewed quarterly financial statements for publication.

- Recommended the appointment of a reputed firm of Chartered Accountants to obtain professional assistance for the implementation of International Financial Reporting Standards (IFRS) and following up on the progress of the implementation.

- Reviewed compliance under Corporate Governance.

**Awareness Programmes**

- An awareness programme arranged by the Auditor General for the private audit firms appointed by him to give them guidelines and instructions in carrying out Branch audits was facilitated through the Audit Committee by arranging the collective presence of both Branch Managers and private audit firms appointed by the Auditor General.

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

- Initiated a follow up meeting with the subsidiaries and associates discussing their performance based on the Subsidiaries Management Charter, introduced on an initiative of the Audit Committee to provide a framework within which the Nominee Directors on Bank's subsidiaries and associates should function.

**Other activities**

- Introduced a Policy on Conflict of Interest.

- Approved the Annual Calendar of the Audit Committee for the year 2012.

**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 is obtained for implementation of the recommendations made by the Committee. Follow up action is taken on outstanding matters on a regular basis.

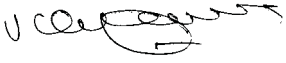
## Procedure For Complaints

The procedure for the receipt, retention and treatment of complaints received by the Bank regarding accounting, internal control and audit matters etc. referred to as the Whistle Blower Policy was in operation during the year under review. This policy was reviewed in 2011. During the period 119 complaints were received, out of which 111 were investigated and resolved/action taken.

## Conclusion

A self evaluation of the performance of the Committee was carried out. It also evaluated the Internal Audit function for 2011 and the performance of the Chief Internal Auditor. 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 elsewhere in 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.



**V. Kanagasabapathy**
Chairman, Audit Committee

16th March 2012
Colombo

# Human Resources and Remuneration Committee Report

## Role of the Committee

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

- Determining the remuneration policy (salaries, allowances and other financial payments) relating to 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 Organisational Structure of the Bank.

## Composition and Quorum

The Committee comprises of four members of the Board. The Chairperson of the Committee is a Non-Executive Director. The following served as the members of the Committee during the year under review.

Ms. Nalini Abeywardene - Chairperson

Mr. Raju Sivaraman - Member

Mr. Chandrasiri de Silva - Member

Mr. K.L. Hewage - Member

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, Bank of Ceylon/ Secretary to the Board functions as Secretary to the Committee.

## Meetings & Activities

The Committee has met 4 times during the year under review. The attendance of members at meetings is given in page 95. 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 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. 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. The 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. The details of the remuneration given to Directors are fully disclosed in the Annual Report on a yearly basis.

The remuneration of employees including the GM and KMP 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 aforesaid Bank of Ceylon Ordinance. Prior to finalising the salary revision, the Committee deliberates on the proposals and makes its recommendation. There was no salary revision in year 2011. The next salary revision is due in 2012.

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

In this year, the Committee reviewed the existing selection criteria for the posts of Assistant General Manager & Deputy General Manager based on the report of the special committee formed to review the promotions to the above grades. The Committee also required expediting the finalisation of the Commendation Policy, which would indicate on what grounds the commendations should be considered, and the procedure of doing it. This policy is now in place. The Committee has initiated the process of reviewing the policy on recruitment with a detailed analysis carried out of recent recruitments.

## Conclusion

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

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

16th March 2012
Colombo

# Report of Board Subcommittees

## Nomination and Corporate Governance Committee Report

### Role 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's and each Board Committee'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 an Independent Non-Executive Director. The following Directors served as members of the Committee during the year under review:

Mr. Raju Sivaraman - Chairman

Mr.S.R.Attygalle - Member
(or his alternate Mr. V. Kanagasabapathy)

Mr. K.L. Hewage - Member

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

### Meetings and Activities

The Committee met 4 times during the year under review. The attendance of Committee Members at meetings is given on page 95. All minutes of the Committee meetings are tabled and ratified at meetings of the Board and approval of the Board 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 Committee has to implement a procedure to select/ appoint new directors.However, in the case of Bank of Ceylon, which is wholly 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 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 -

- Recommended the Policy on Succession Plan for adoption.
- Recommended a new performance and potential appraisal system to be applied bank wide including the KMP.
- Ensured that approved promotion schemes and procedures are available to select the KMP (viz. General Manager & Deputy General Managers) of the Bank. Recommended documenting the set of criteria required to become a Deputy General Manager and General Manager.
- Discussed and followed up on the preparation of a new Promotion Policy taking into consideration the present requirements.
- Initiated developing a talent pool in different managerial levels.
- Initiated revisiting the organisation structure of the Bank.
- Recommended identifying relevant exposure programmes to Directors.
- 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. Also recommended the format for evaluation of the General Manager which is carried out by the Board.
- Determined the level of compliance with the aforesaid Banking Act Direction No. 11 of 2007 with a view to complying with it.
- Recommended the adoption of new Competency Development Training Programmes for Managers and higher grades to enhance their management competencies.
- Emphasised the importance of conducting Continuous Development Programmes (CDP) on the areas relevant to banking whilst requiring certain training programmes compulsorily.
- Recommended the adoption of the Policy on Conflict of Interest.
- Reviewed the authorities delegated by the Board.

### Conclusion

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

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

16th March 2012
Colombo

# Integrated Risk Management Committee Report

## Role of the Committee

The main role and responsibilities of the Committee are 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 and operational 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 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
*Member*

Mr.K.L.Hewage
*Member*

The General Manager and Chief Risk Officer participate at all meetings and their participation is mandatory.

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 7 times during the year under review. The attendance of Committee members at meetings is given in the table on page 95.

The Committee is conscious, when carrying out its responsibilities, that banks are in the business of taking risks. The aim of the Bank and the Committee is therefore not to minimise risks but to optimise it by ensuring that risks being taken are; properly identified and understood; appropriate; relative to the scale and type of business; affordable; properly controlled and managed; and earning an appropriate return.

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

- Reviewed the following reports and assessed the risk profile of the Bank :
  - Credit Risk Management
  - Operational Risk Management
  - Market Risk Management
  - Compliance Risk Management
  - Stress Testing and Scenario Analysis
  - Interest rate and foreign exchange risks
- Arrangements 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.
- Reviewed quarterly the comprehensive Compliance Reports submitted.
- Recommended to the Board the adoption of the Policy on Risk Appetite and Limit Setting.
- Recommended to the Board the adoption of the revised Investment Policy and Terms of Reference of the Investment Committee and limits for securities transactions.
- Recommended to the Board the adoption of the Settlement Policy, Reactivation Policy and Write off Policy for the collection and recovery unit of the Card Centre of the Bank.
- Recommended the adoption of Recovery Policy guidelines.
- Initiated action to assist the subsidiaries to manage their risk functions.
- Followed up on the activities of the Asset and Liability Management Committee.

- Approved the annual calendar of the Integrated Risk Management Committee for 2012.
- Independent Integrated Risk Management Division (IIRMD) has introduced International Standards Organisation (ISO) Certification and 5S system to the Trade Services Department and it is being introduced to all operational departments including Branches and this Committee is following it up.

  The said unit also continues to conduct awareness programmes on Business Contingency Plan for the critical business units at the Head Office.

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

A self evaluation of the performance of the Committee is carried out annually. The Committee is of the view that the Bank has made satisfactory progress towards meeting the challenges of risk management and compliance, complying with international standards. In accomplishing this task, the IIRMD assesses the credit, market, liquidity, operational and strategic risks on a monthly basis through appropriate risk indicators and management information. The relevant Risk Assessment Reports are submitted to the Board on the recommendation of the Integrated Risk Management Committee.

**V. Kanagasabapathy**
as Alternate to Mr.S.R.Attygalle
Chairman, Integrated Risk
Management Committee

16th March 2012
Colombo

# Attendance of Directors at Board & Subcommittee Meetings

| | Main Board | Audit Committee | Human Resources & Remuneration Committee | Nomination & Corporate Governance Committee | Integrated Risk Management Committee |
|---|---|---|---|---|---|
| **No.of Meetings held** | **30** | **12** | **4** | **4** | **7** |
| **Names of Directors** | **No.Attended** | **No.Attended** | **No.Attended** | **No.Attended** | **No.Attended** |
| Dr. Gamini Wickramasinghe | 29 | | | | |
| Mr. S.R.Attygalle | 27 | | | 2 | |
| Mr. Raju Sivaraman | 30 | 12 | 4 | 4 | 7 |
| Ms. Nalini Abeywardene | 24 | | 3 | | |
| Mr. Chandrasiri de Silva | 27 | | 2 | | |
| Mr. K.L.Hewage | 28 | 12 | 4 | 4 | 7 |
| Mr. V. Kanagasabapathy (Alternate Director to Mr. S.R. Attygalle) | 5* | 12 | | | 7 |

Key

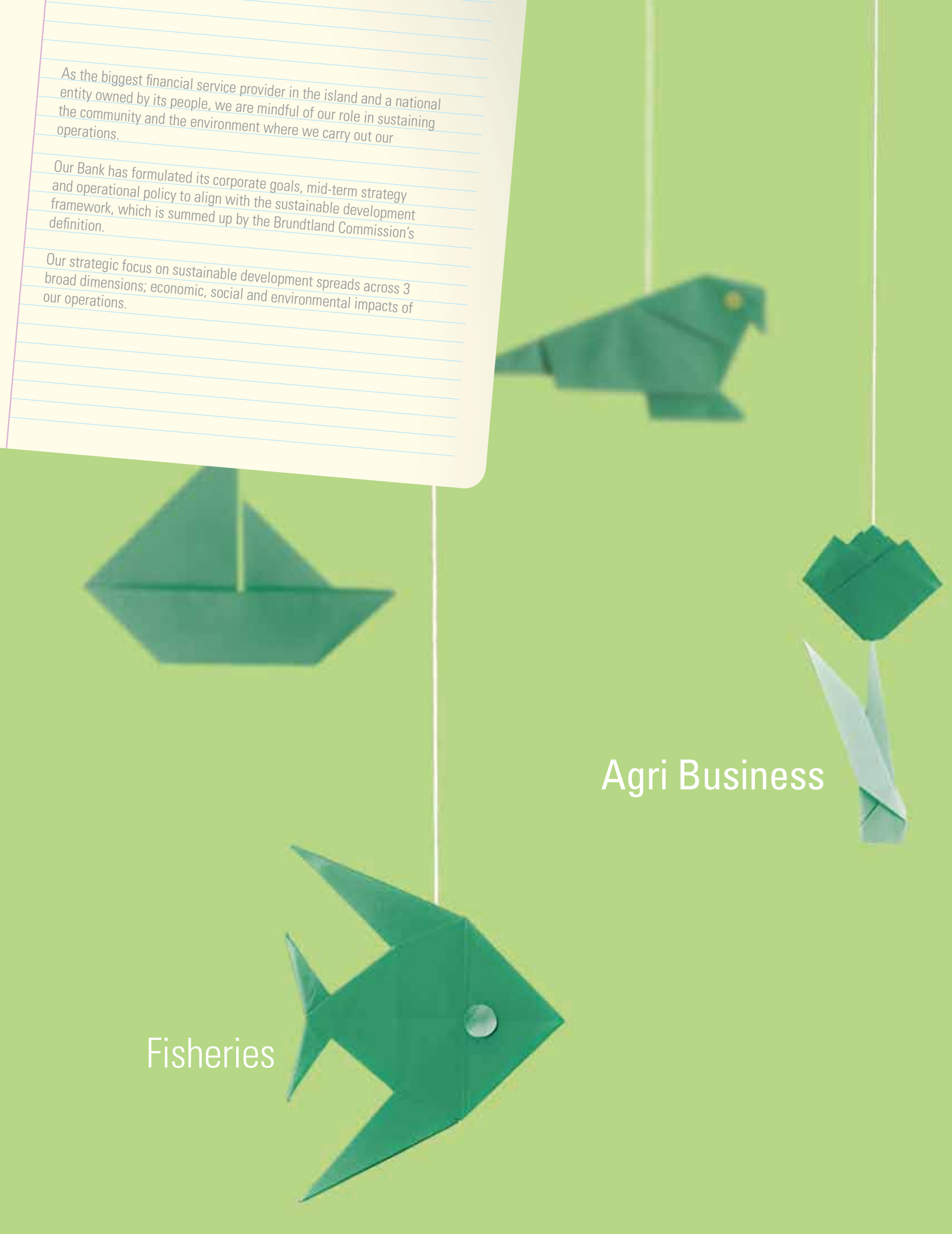
*Attended 2 meetings by invitation

Not a member of the Committee

As the biggest financial service provider in the island and a national entity owned by its people, we are mindful of our role in sustaining the community and the environment where we carry out our operations.

Our Bank has formulated its corporate goals, mid-term strategy and operational policy to align with the sustainable development framework, which is summed up by the Brundtland Commission's definition.

Our strategic focus on sustainable development spreads across 3 broad dimensions; economic, social and environmental impacts of our operations.



# Micro Farming

# The journey

## Established 72 years back as a small local commercial Bank, Bank of Ceylon has come a long way creating history and landmarks in its wake and projecting itself as a national icon. The beacon, trendsetter, path finder, travelling companion, friend-in-need, mentor - and as we call ourselves - THE BANKERS TO THE NATION

Venturing beyond the traditional role of a financial intermediary, BoC has been and is a committed participant in the national development drive bringing financial services to rural doorsteps, connecting the periphery with the centre, empowering rural farmers, fishermen, artisans, small scale entrepreneurs and simply the poor, helping disadvantaged and vulnerable sectors, in the process facilitating equitable wealth creation across the socio-economic landscape.

Our customer base is diverse. It spreads across corporates to the marginalised poor and urban to rural. We consider this diversity as a welcome opportunity as it encourages us to innovate in multi-pronged socio-economic development initiatives.

In our over 10 million relationships throughout the country, big and small, there are thousands of interactions daily, some only for a few minutes, others extending to hours, days and months, impacting the society, its economy and the environment in varying degrees.

In this quest, we do care for this endangered planet, its fragile environment and the future of our next generation and the next.

This is the story of our journey towards sustainable development.

nability

## A Word About This Report

This sustainability report has been prepared going by the Global Reporting Initiative (GRI) frame-work and guidelines, our third attempt under GRI guidelines, which is the widely accepted global frame work 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 2011 to 31st December 2011.

### Date of the most recent previous report

Previous report covering the period 01.01.2010 - 31.12.2010 was issued in March 2011

### 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 Financial Accounting Unit at 10th Floor, Bank of Ceylon,
"BOC Square", No 1, Bank of Ceylon Mawatha, Colombo 1.
Contact telephone Nos: +94 11 2471615-2203928 E-mail address: fau@boc.lk

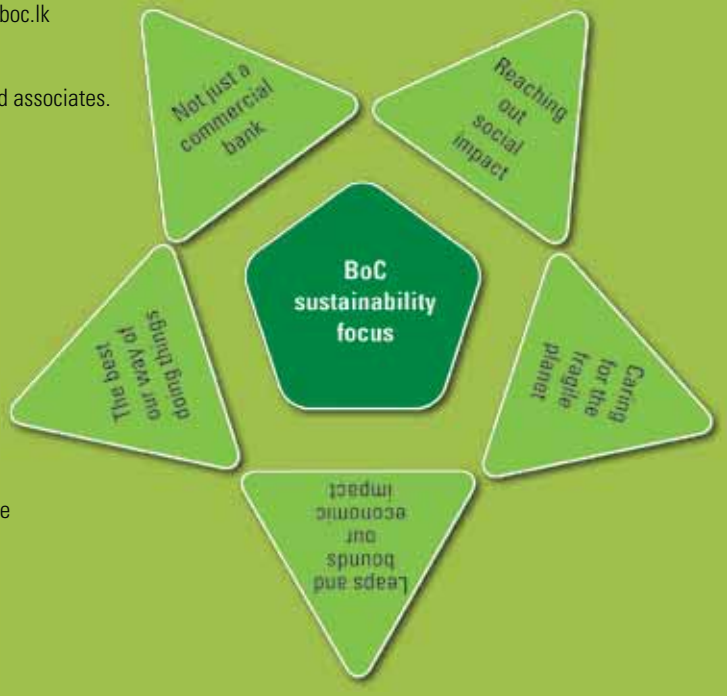
### Report boundary

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.

### Defining report content

Based on the expectations and interests of our stakeholders and our vision, mission and maturity of over 72 years, we have decided on selected topics and GRI performance indicators that would be reported which are presented on an five - pronged approach on sustainability. The selected topics have significant economic, social and environmental impact and a high level of stakeholder engagement.

- Not just a commercial bank - institutional sustainability
- The best - our way of doing things - sustainable corporate governance
- Reaching out - our social impact
- Leaps and bounds - our economic impact
- Caring for the fragile planet - our environmental impact



# Sustainability Report

## The Issue of Materiality

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

- Outreach expansion (including increase in delivery points) that would substantially benefit two of the stakeholder segments, the community existing and expected customers.
- Tailor-made and 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- convincing and converting 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.
- Environmental conservation and protection through model village initiative, organic farming, habitat development, eco-system preservation, energy conservation and re-cycling initiatives etc. The underlying theme is living close to the nature.
- 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- the children and the youth

### Data Measurement

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

- The Bank's periodical/annual financial reports
- 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)

Margin of error in the quantitative data as a whole does not exceed 5% and substantially influence 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 has been 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: model village concept) it is reported under the segment where the impact is mostly felt.

### External Assurance

BoC self 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

Our relationship with the government –the shareholder owner on behalf of the general public- is based on two key perspectives.

- Aligning the strategic focus of the Bank in line with the holistic development approach and goals of the country.
- Appropriating adequate returns (dividends) to the stakeholders.

### Customers

The two-way process with our customers focus on mutually rewarding, service excellence exceeding customer expectations. The underlying theme is growing together.

### Employees

Interaction with our team-the most valued of our assets- would build them up as the best team of achievers supported with equal opportunity, career path avenues and work-life balance.

### Suppliers

We create and maintain a rewarding relationship with our suppliers through quality supply lines, transparent sourcing mechanism and supplier capacity development.

### Regulators

Our regulators (Central Bank of Sri Lanka and Securities and Exchange Commission etc) share their concerns on risks, opportunities and controls with us.

### Fund Providers

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

### Community

For them-the community, we are the Bankers to the nation., not only as a financial service provider but going beyond, being a beacon and a helping hand- in health care, education, environmental protection, cultural diversity and social harmony.

### Rating agencies

Measurers of our performance, the rating agencies rely on our financial reporting and reporting time lines.

## Stakeholder Engagement Process

| Stakeholder Group and Engagement Focus | Level of Engagement and Process | Frequency/Timeline |
|---|---|---|
| **The Government** | | |
| • Align and co-ordinate the Bank's strategic business plan and corporate goals with the Government's national development framework 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 |
| **Customers** | | |
| We focus on exceeding customer expectation levels or rather delighting them. Customer service channels, products and services are improved, expanded and value added on an ongoing basis.<br>• Customer need/perception identification,<br>• Taking care of vulnerable customer segments - the poor, the senior citizens and the differently-able by providing tailor-made products and easy access.<br>• Business process simplification, customer facility upgrading, harmonising internal lay out at delivery points with a customer-centric focus.<br>• Capacity development and empowerment of customer segments The ultimate aim is to make banking with BoC an exhilarating experience for everyone resulting in wealth creation across the country encompassing all its diversity. | • 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>• Customer surveys<br>• Easy access facility for differently abled persons<br>• Customer capacity development work shops<br>• Complying with the requirements of customer charter introduced by the regulator. | This is an on-going process with specific engagements and pre-arranged schedules |
| **Employees and Trade Unions** | | |
| Beyond a mere work-place approach, focusing the staff as partners- the best asset<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/behavior/ 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, work place 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<br>• Unit level meetings and performance review on weekly/monthly basis<br>• Training programs on pre-arranged timelines<br>• Engagement with trade unions on an on-going basis | On going basis/on request |
| **Suppliers** | | |
| 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 |

| Stakeholder Group and Engagement Focus | Level of Engagement and Process | Frequency/Timeline |
|---|---|---|
| **Regulators**<br>• Comply with regulations, guidelines and indicators initiated by Central Bank of Sri Lanka(CBSL), Ministry of Finance and Planning, Colombo Stock Exchange, 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 fund providers and multi-lateral lending agencies | • Periodic review sessions conducted by CBSL<br>• On-site visits to assure compliance<br>• Compliance officer at Head office to liaise with the regulator<br>• Performance review of programmes/initiatives<br>• Submission of financial statements to Colombo Stock Exchange<br>• Publication of financial statements on quarterly basis | This is an ongoing process. |
| **Fund providers**<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<br>The end result would be prudent usage of funds, pay-back on timelines with commensurate yield levels | • Performance review of programmes/initiatives<br>• Submission of financial reports<br>• Periodic meetings with fund providers on need basis | Reviews done by funding agencies periodically<br>Quarterly submission of financials |
| **Community**<br>• Community investments in infrastructure<br>• Community awareness initiatives<br>• Participation in religious/cultural/sports/social activities | • Pre-arranged community meetings<br>• Gam Udana programme at provincial level<br>• Community development initiatives<br>• Voluntary social engagements<br>• Feedback from community | On-going basis |
| **Rating Agencies**<br>• Disclosure of rating sensitive information on periodical basis<br>• Submission of periodical financial and non-financial information | • One-on-one meetings before rating is determined | Annually scheduled meetings by the rating agency |

## Key Topics That Have Arisen Through Stakeholder Engagement

| Stakeholder Concern | Our Response |
|---|---|
| **Customer Perception Survey** | |
| The Bank sanctioned a customer perception survey during the year to assess the perception level. | Customer perception came up with important indications and considered as valuable input to strengthen future customer understanding. Action plan is in place. |
| The survey was carried out by a market research company and customer perception levels revealed at this survey was considered for necessary action. | A series of customer care workshops across the Southern province have already been completed. It will be replicated in other provinces and head office units in 2012. |
| **Government as a Stakeholder** | |
| 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 front line at Government-led development initiatives. Our outreach results in social mobilisation, micro-finance and small farmer credit. |

# The Chairman's statement

Sustainable development in reality is two sides of the coin. It is about what to sustain and what to develop. Nature including earth, bio-diversity and eco-systems, life support eco-system services, resources and environment and community consisting cultures, groups and places should be sustained while people factors such as education, health care, equal opportunity and economic consideration such as wealth, productive sectors and consumption and the society elements are to be lined up for development.

Our Bank has formulated its corporate goals, mid-term strategies and operational policies to align with the sustainable development framework, which is summed up by the Brundtland Commission's definition, - meeting the needs of the present without compromising the ability of future generations to meet their needs.

Being the biggest financial service provider in the island and a national entity owned by its people, we are mindful of our role in sustaining the community and the environment where we carry out our operations.

**Our Bank has formulated its corporate goals, mid-term strategies and operational policies to align with the sustainable development framework**

Our strategic focus on sustainable development spreads across 3 broad dimensions; economic, social and environmental impacts of our operations.

## Economic Sustainability

The economic focus centres around the national economic priorities driven by the government and the five hubs in the country's future development master plan. Our business strategy is in tandem with this overall development programme and assimilates the aspirations of our stakeholders and our obligations towards them measured across economic value distribution among them.

Within this framework, our products and services are directed to sustain diverse needs of different customer segments ranging from corporates to the micro-enterprises, professionals to school drop-outs, the high networth to the marginalised. Although they are different as well as distinct, both ends and those in the middle are inter-connected, up stream and down stream. There are grass root level producers and mass scale processors and a whole gamut of intermediaries and support services in between. Our strategy focuses on facilitating market linkages and value chain development along the lines as a way forward.

We are committed to equitable access for financial services across the landscape, geographical and demographical. This commitment takes us on two distinct yet mutually complementary path ways.

- Outreach expansion to reach geographies in the periphery and niche markets
- Social mobilisation among the marginalised social segments.

## Environmental Sustainability

Our environmental dimension runs along two drive lines.

- Minimising environmental impact from our operations which also includes customer business operations.
- Preservation of the environment we live in (eco-systems, habitats and bio-diversity) and promoting public awareness on environmental preservation.

As a responsible corporate citizen, our material consumption concerns us. Working along this line, we have initiated reduction processes in material usage, re-cycling practices and energy/fuel saving mechanisms. Impacts by customer business operations are focused by a comprehensive environmental management framework which is in place for credit evaluation and delivery. Going beyond, our strategic focus extends to green investments such as forestry, sustainable agriculture, nature-friendly livestock projects, power generation through renewable sources and mixed-farming as well.

We partner with like minded groups and institutions who share our concern towards our fragile planet. Our partnership with Rividina Arunella and Green forest Association are two examples.

## Social Sustainability

In a social context, we look at a wide range of inter-connected issues, equal opportunity, non-discrimination, respect for human rights, decent labour practices and community investments within a broad framework. Even our initiatives in economic and environmental dimensions spillover in to the social landscape.

Work life balance among our team is one of our major focuses. Not only do we care for their health and safety. Our concern spreads across their religious and cultural diversity, leisure and sports.

# Our strategy and corporate goals are focused on balanced economic growth among all social segments with special attention towards the poor.

## We consider them as our future customer base.

### Our Report Card

As of the end of the year BoC had the largest online delivery point network consisting of fully fledged branches, extension offices and automatic teller machines. BoC which has a presence in all major cities and townships is now moving out into the hinterland- economically active villages, farming belt, fishing communities, islands and even isolated out posts without any formal presence in financial services. The list of our new locations is impressive. Kiran and Vavunathivu, Marassana and Upcot, Pulmodai and Oluvil, Mattegoda and Katukurunda. This is history repeating itself-reminding us the bold effort three decades back, when the Bank established over 300 rural service points at Agrarian Services Centres, virtually overnight.

The bare foot banking concept we espouse comes along side. This concept- which is based on the fact that poor can be made profitable customers- is gaining ground in the periphery, particularly in the North-East. We have our field workers-animators- chosen from among the community itself, who move in and interact with their fellow villagers, at their doorsteps. The social mobilisation carried out so far is commendable.

This year, we launched the BOC model village initiative, with a view to strengthening the ecological balance in the environment as well as the social upliftment of the community in a string of dry-zone villages languishing with neither the resources nor adequate infrastructure facilities. The first model village at Doramandalawa has shown impressive results within a time span of just over seven months. This model will replicate in the other provinces in coming years.

BoC considers the young generation in the country as its future investment. We continued with our assistance to the cream among them, the scholars with academic excellence while we supported sports and leisure activities.

### The Future

We have several initiatives to be implemented in 2012. We will move on to premier banking service aimed at high networth customers. SME sector, a vital cog in the economic wheel, will be strengthened by having in place, exclusively dedicated branches for SME lending with a provincial level support arm. Our fully owned subsidiary, BOC Management and Support Services (Private) Limited will foray into sustainable economic development in the Wanni region, the northern part of the country through a dairy processing model, a partnership with a leading dairy processor. Re-building the Jaffna railway station a major CSR project will be undertaken in 2012.

Our strategy and corporate goals are focused on balanced economic growth among all social segments with special attention towards the poor. We consider them as our future customer base, who will ultimately be our SME base making equitable wealth creation a reality.

We are aware that this is a formidable task. Yet, as a Chinese proverb says "Even the longest journey starts with the initial step". BoC has taken that initial step and is on the way forward.

**Dr. Gamini Wickremasinghe,**
Chairman

16th March 2012

## Key Impacts, Risks and Opportunities

### How Our Operations Impact Our Stakeholders

| Impact | Risks | Opportunities |
|---|---|---|
| Extensive small farmer credit results in 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 legal identity that would lessen field worker dependence |
| Start up SMEs/larger ventures affecting the environment through waste disposal, waterway 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 |
| 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 programme 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 nations' values, culture and trust that Corporate Social Responsibility (CSR) can be achieved through implanting social responsibility.

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 the 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 "contribution to sustainable economic development" and to "promoting 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 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 access to finance and services to all socio demographic groups. 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 have 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 encourage them through interest subsidies and other services,
- Refusing to lend to businesses whose actions cause unacceptable harm to the environment and,
- Participation in environment friendly programme 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, the 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.

> "core business strategy has been formulated with due consideration of sustainability related risk and opportunities."

# Sustainability Report

## Towards Preserving Human Rights

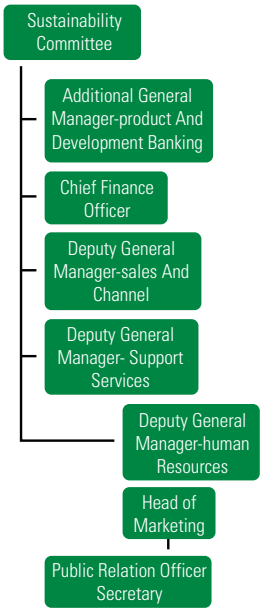
The Bank advocates equal opportunity and adopts the principle of justice and fairness in our human resource management and strictly avoids child labour in every form by not promoting businesses or entrepreneurship of its customers that engage in employment of child labour and not accepting any outsourced and service providing parties if they indicate to 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 a wider context of sustainability, providing an insight into the Bank's contribution towards the enhancement of economic, environment and social conditions within which it operates.

## Composition of the Bank's Sustainability Committee




## Sustainability Process - How it Works Down the Line

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.

**Additional General Manager (Product & Development Banking)**

- Micro-finance platform and how it is implemented across the Branch network.
- Product innovation and development to meet customer perception and 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 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 Resources)**

- Decent labour practices
- Defined benefit plan obligations and Fund adequacy
- Human rights issues
- Team skill development and lifelong learning
- Career path development
- Work life balance initiatives
- Interaction with trade unions

**Deputy General Manager (Sales and Channel Management)**

- Outreach expansion policy and progress
- Provincial development

**Head of Marketing**

- Corporate social responsibility initiatives
- Interaction with environmental lobby
- Nature, bio-diversity and habitat protection initiatives

Committee members implement the action plan through line management (relevant head office business units and the branch network). Assistance of the provincial management is co-opted in this exercise.

Work plan progress and implementation issues are discussed at monthly review forums at provincial/head office level and branches/units relay their progress at these discussions.

# Disclosures on Management approach

## Products and Services Dimension

The Bank has set in place policies on environmental and social impacts arising out of credit delivery. This approach is three-fold.

- **Project finance:** This relates to credit given for SMEs and large projects. Environmental impact assessment or in its place, environmental clearance is mandatory to be eligible for credit. In regard to projects whose products fall under Sri Lanka Standards (SLS), obtaining SLS certification has been made mandatory.

- **Micro-finance:** Socio-economic background and income level is the basic criterion, in solidarity group mobilisation and poverty alleviation and other micro-credit programmes.

- **Personal Finance:** Such as credit cards, personal loan schemes which intends to uplift the life standard of regular income earners.

Environmental and social risks are assessed/screened at two levels, i.e; (initial acceptance stage and credit evaluation stage prior to credit delivery.)

Monitoring mechanism in regard to environmental and social requirements has been introduced. This aspect is covered by field visits at project site/customer location and documentary evidence (Environmental clearance certificate issued by the Central Environmental Authority etc) screening.

Awareness on environmental/ social requirements/conditions/ covenants for staff involved in credit assessment/delivery/monitoring is disseminated through the Bank's operational instructions and in-house credit training programmes.

The Bank interacts with clients when environmental/social issues crop up during a project life-cycle by offering advice/soliciting expert advice towards effective compliance.

**Audit:** In-house credit audit unit engages in periodical audit including field visits, at business locations and recommends remedial/corrective action. Independent external auditors would be tasked for field level audit on SME projects funded by the Bank.

**Active ownership:** Active ownership lies with Deputy General Manager (Retail Banking) and Deputy General Manager (Corporate and off-shore banking) and respective business units under their purview.

## Economic Dimension

We differ with other financial service providers in that, as a state-owned Bank, our sustainability policy is guided by the country's economic goals and strategy, while retaining the competitive edge within the financial services sector.

The Bank's short to medium term business plan is based on the **One Ten Twelve** theme (Rupees trillion in assets and ten billion bottom line results by year 2012.) Economic sustainability is embedded within this frame-work.

The approach runs along three distinct lines.

- Contribution to sustainable economic development
- Community investment initiatives
- Value chain financing

The Bank's bottom line results affect the entire country as its asset growth, financial strength and profit are owned by the public. Economic value addition and income distribution is to be viewed in this context.

### Market Presence

Entry level wage is maintained at par or above the local minimum wage. All recruits of the Bank are provided with comprehensive training 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.

In Sri Lankan operations, as a policy, the total work force 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 benefits, 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 credit plus approach.

Another area of focus is in savings mobilisation throughout the country with a holistic approach and strategy. This was an ongoing process running through the entire year with road shows, door-to-door campaigns and identified promotional drives.

## Environmental Dimension

Being a service organisation and not a direct material consumer, the Bank's material, water, energy and paper consumption is limited to office level routine usage.

Paper usage is gradually reduced as a result of electronic communication, online banking network, ATM points and mobile banking solutions that are in place. The Bank has a policy of dispatching its entire waste paper for re-cycling.

Emissions are planned to be reduced by effective vehicle maintenance, regular servicing and mechanical testing.

The Bank uses electrical power from the national grid for its operations. Diesel powered generators are in place as back up power in case of emergency. Power consumption is monitored and on site checks (switching off at the end of office time) are carried out. Branches and business units are expected to maintain a cost concern approach in their operational activities.

## Beyond Work Place

Our environmental focus extends beyond the work place. We are interacting with community organisations, environmental activists and the media on promoting biodiversity/habitat preservation, rain water harvest, eco-system protection etc.

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 North-Central province that 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 net work.

# Social Dimension

## Society

We recognise the need for equitable wealth creation across the country as 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.

Given this scenario, we have formulated a double-pronged approach aiming at financial inclusiveness.

- Out reach expansion to facilitate disadvantaged and off-the-road communities
- Social mobilisation of the poor through innovative 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.

## Labour Practices and Decent Work

Our labour relations and practices are guided by Sri Lankan labour laws as well as international initiatives (ILO). Labour policy is based on six pillars.

- Equal opportunity
- Performance-based appraisal
- Career path development
- Skill development and training
- Work-life balance
- Defined benefit plans

**Equal opportunity:** BoC is an equal opportunity employer with no discrimination in terms of gender/ethnicity/religion/social and financial status. This concept runs along the entire work-life (recruitment/evaluation/job rotation and transfer/compensation/promotion/career development.)

**Performance-based appraisal:** This is a time-tested appraisal system which covers the entire work-force. Employees are appraised on three aspects; (a) goal achievement (b) behaviours and (c) future potential.

**Career development:** Laid out promotion policy with a defined scoring system is in place.

**Skill development and training:** A separate division headed by an Assistant General Manager handles skill development and training. The Bank has an in-house training facility with a core faculty and an associate faculty.

## Work-life Balance

Team BoC is looked after at work place and beyond. An organised plan is in place on work place safety and a medical officer is available at head office. Other work life balance practices are, assistance for religious and cultural groupings, sports, artistic activities, leisure and holidaying.

**Defined benefit plan:** A defined benefit plan administered by an elected Board of Trustees has been established to accommodate retirement obligations of the team.

## 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 recognised trade unions functioning within the Bank. They are provided with free office space and communication facilities.

The industrial relations unit at Personnel department handles human rights issues which are under the direct supervision of Deputy General Manager (Human resources.)

**We recognise the need for equitable wealth creation across the country as a core issue that should be addressed in national development initiatives.**

# Not just a commercial Bank

## Our Profile

Bank of Ceylon, better known as our trade mark - BOC, the largest state-owned commercial bank in the country traces its origins to 1939, when it was set up under the Bank of Ceylon ordinance as an indigenous bank that would cater to the emerging local businessmen and entrepreneurs. Since then it evolved in leaps and bounds for the past 72 years, creating landmarks as well as benchmarks along the way.

The Bank, wholly owned by the Government of Sri Lanka, has an asset base of Rupees 836 billion, total revenue of Rs 71 billion, total capitalisation of Rs 40 billion, over 10.1 million customer accounts, 966 service points across the country and a 8,000 plus, dedicated BoC team. The six pillars that make BoC the giant.

### Legal Form and Structure

Our corporate information and family ties (subsidiaries and associates) are shown on the inner back cover.

Our core business functions are presented in Management Discussion & Analysis.

### Where We are - The Location

Our headquarters is at 'BOC Square' No.1 Bank of Ceylon Mawatha, Colombo 1. More details are given under Management Discussion and Analysis.

## OUTREACH...

### Our Local Presence

We serve across the entire island- in all the major towns, smaller townships, emerging village economic centres and peripheral community outposts- virtually everywhere. These service points are

classified according to the service levels provided by them.

- Fully fledged Branches 316
- Extension offices linked to a feeder Branch` 248
- Automatic Teller points 402
- Entire service point network 966

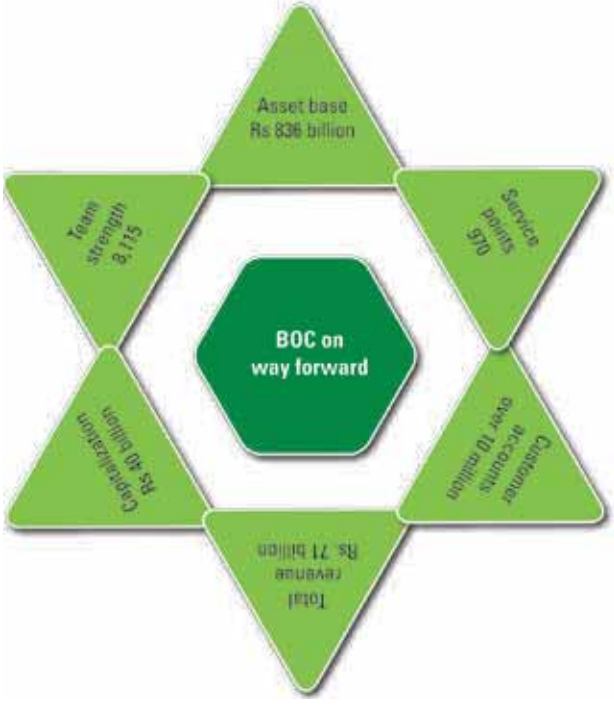
### Our Global Presence

With two overseas branches- in Male and Chennai- a wholly owned subsidiary in London (BOC UK Limited) - Bank appointed representatives at Exchange Houses in nine Middle Eastern countries (Qatar, United Arab Emirates, Kuwait, Bahrain, Oman, Dubai, Saudi Arabia, Israel and Jordan), Business promotion Officers stationed in Italy, Japan, South Korea and France, we have a solid presence in virtually all strategically important global locations.

### Markets Served

Our financial services and related operations are centred on the following market segments.

- Corporate sector - listed public companies and unlisted public/ private companies, government



# Sustainability Report

departments and corporations, statutory bodies.

- Off-shore operations
- Middle market/Retail banking segment. Business entities with turnover and asset levels less than that of corporate sector. including the SME sector.
- Personal banking including government and private sector employees and personal banking needs of businessmen in their individual capacity
- Micro-finance-self-employed and under/un-employed
- Islamic banking
- High net worth customers. We have identified this segment as a separate customer group for personalised service.

Corporate banking is handled at specifically created corporate banking units (Corporate Branch, Metropolitan, Pettah Branches and Off-shore banking unit), and also bigger outstation branches (e.g: Kandy, Galle, Kurunegala)

International Division focuses on international transactions and delivery systems while Trade Finance division handles international trade finance.

Branch banking which covers middle market/retail and micro-finance market is administered under a provincial network of 10 provinces. Western Province has been split into two administrative units and balance 8 provinces similar to the Government's provincial administrative set up.

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 Government of Sri Lanka and state-owned enterprises(statutory boards, corporations and authorities set up by parliamentary legislation) our customers are operating across 8 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

## Our Products and Services

The products and services provided by the Bank appear on page 288.

Core operations in all our business activities are handled by permanent and contracted staff. The Bank employs outsourcing for identified support services (janitorial services, part of drivers, security personnel and customer statement and correspondence dispatch)

## 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.

## Healthy Competition Among Business Units

**Focus for Excellence**

We had a complete turnaround and revamped the best branch competition process to reflect the twin pillars of profitability and service excellence. The underlying theme is that branches should be run as profit centres at the same time providing efficient and rewarding delivery systems.

Five branches that reached to the measurement scale were selected as the best five branches.

- Kaduruwela - *North Central Province*
- Kaluwanchikudy - *Eastern Province*
- Pitigala - *Southern Province*
- Nuwara eliya - *Central Province*
- Kilinochchi - *Northern Province*

## Our Achievements - Awards Won in 2011

| Organisation/Institute | Nature of Competition | Category | Award |
|---|---|---|---|
| International Academy of Communication Arts and services Mercom Inc | 2011 International ARC awards | Non-Traditional annual report | Gold |
| International Academy of Communication Arts and services Mercom Inc | 2011 International ARC awards | Financial data: Banks | Gold |
| Institute of Chartered Accountants of Sri Lanka | 2011 Annual Report Awards | Banking sector | Bronze |
| League of American Communication Professionals | 2010 Vision awards | Annual report competition | Bronze |
| The National Chamber of Commerce Sri Lanka | National Business Excellence Awards-2011 | Banking sector | Gold |
| Sri Lanka Standards Institution | Quality management system | Trade finance services at the Trade services Division | ISO 9001:2008<br>SLS ISO 9001:2008 |
| Brand Finance PLC | Brand rating | Brand rating | AA + |
| National Productivity Secretariat- Ministry of Productivity Promotion | National Quality Circle awards-2010 | Manufacturing and services sector | 2nd place BOC Trade services Smart Bees |
| National Productivity Secretariat- Ministry of Productivity Promotion | National Quality Circle awards-2010 | Manufacturing and services sector | Special commendation - BOC Trade services- Goal diggers |

# The best-our way of doing things

## The triple thrust in our mission statement, customer service excellence, best team of achievers and being a catalyst in country wide development - is supported by key drivelines in our sustainability strategy

## Corporate Governance, Commitments and Engagement

### Corporate Governance

The Highest governance body, the Board of Directors is appointed by the Minister of Finance, on behalf of the shareholder, the Government of Sri Lanka. The Board comprises professionals with proven expertise and credentials from a wide background which include information technology, 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 18 and 19.

### Mandate

The Board of Directors is responsible to 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 | 03 | - |
| Non-executive directors | 01 | 01 |
| Non-executive ex-officio directors | 01 | - |
| Non-executive alternate directors | 01 | - |
| **Total composition** | **06** | **01** |
| Minority group representation | 02 | - |

Composition of the sub-committees of the Board of directors and their mandate and responsibilities are explained in page 88.

### 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 centered 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 process when conflict of interest is apparent. This aspect is explained in detail under Corporate Governance page 66.

### Vision, mission and other internally developed statements

These two statements are indicated in pages 6 and 7 of this report.

The triple thrust in our mission statement, customer service excellence, best team of achievers and being a catalyst in country wide development is supported by key drivelines in our sustainability strategy.

### Mutually rewarding customer relationship exceeding their expectations

Customer outreach expansion is centered on four distinct perspectives.

- Service point expansion
- Innovative delivery channels (Mobile and Internet banking)
- Expanded segmental outreach (Islamic banking, premier banking and professional sector)
- Enhanced service quality and delivery point ambience (business process re-engineering, model branch concept, 5S concept)

### Bestowing Recognition and Rewards to be the Best Team of Achievers.

Equal opportunity, transparent career path development, work place safety and work life balance initiatives support this mission.

## Be a Profitable Catalyst for Equitable Development Across Urban and Rural Communities

Field worker based barefoot banking model and periphery-focused development lending on concessionary tariff and flexible terms are designed and put in to operation towards equitable wealth creation.

## Whistle-Blower Policy and Practice

Whistleblowers (employees and other stakeholders alike) are encouraged to voice their concerns on the Bank's operational failures and efficiency level. Organisational set up handling whistleblower complaints is headed by the Chief Internal Auditor directly reporting to the Board of Directors through the Board's Audit Committee.

## Scope of Complaints

Complaints are entertained from customers, general public and employees. The scope of complaints would be within a defined framework.

- Actions that may lead to incorrect/ incomplete financial reporting
- Unlawful/illegal acts
- Misrepresentation/false statements in financial/audit/ internal reports
- Unethical acts that would harm corporate governance, financial health and /or Bank's image

## Owner of the Process

Audit Committee of the Bank of Directors is the owner with CIA performing the overseer role.

## Timeline for Resolution

All complaints are acknowledged and the complainant advised of the estimated timeline for resolution.

## Complainant Privacy and Protection

Total privacy on complaints is maintained and complainants' identity protected when desired.

Outcome - complaints received during the year

| Category | No of complaints | Outcome |
|---|---|---|
| Loss of customer data | 08 | Resolved |
| Breach of customer privacy | 11 | Resolved |

## 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.

To cite an example, there is a widespread contention, still not scientifically proven, that kidney malfunction prevalent among the rural farmer community, especially in the north-central dry zone, is the result of water contamination by large scale use of agro-chemicals and pesticides. The Bank took a proactive stance and launched the model village concept where the thrust is weaning the farmers away from heavy agro chemical use.

## Membership in Industry Related Associations

- Institute of Bankers of Sri Lanka
- Sri Lanka Banks Association (Guarantee) Limited
- The Ceylon Chamber of Commerce
- International Development Association (Sri Lanka chapter)
- Asia Pacific Agricultural and Rural Credit Association (APRACA)
- Bar Association of Sri Lanka
- Sri Lanka Law Library
- Bloomberg Finance LP

## Externally Developed Initiatives/Charters to which We Subscribe/Endorse

- Basel II guidelines
- International Financial Reporting Standards (IFRS) - We are on a pre-set timeline for implementation
- Social Management Framework under SMEdeF line of credit, a World Bank funded SME Loan programme
- Global Reporting Initiative (GRI) G 3.1 guidelines

**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.**

# Reaching out
# Customer focused banking

This section on reaching out, delves on our outreach strategy and performance in a geographical sense as well as on a demographical context, the logic behind our outreach strategy, different methodologies adopted by us to reach diverse customer segments, financial assistance extended to priority sectors in the country's economy, customer value addition, community development initiatives, social benefit of our commitments and labour practices supported by real life cases in focus.

## Reaching out Across the Country

### Our Delivery Network is Growing

We are focusing on less developed rural pockets as well as creating additional service points in larger cities and towns. By the end of 2011, our delivery network consisted of 966 service points (Branches, extension offices and ATMs) We now possess the most widespread online financial services network in Sri Lanka.

Reaching out and establishing service points close to the customer base results in reduced travel and transaction time for them. This is all the more evident in the periphery where banking outlets are dispersed in a wider terrain with inadequate transport systems and rather isolated communities.

During the year the Bank set up 30 new extension offices. The bulk of them in the Northern Province and 9 fully fledged branches, seven out of them by upgrading extension offices with remarkable business growth. ATM points rose by 52, making it by far the widest cash point network in the country

### North-East is a Case in Focus

Even during the 30 plus year war, we were there in Jaffna peninsula and Wanni, Batticaloa and Trincomalee. We were with the people in the North-East sharing their hardships as well as hope. During the turbulent past, delivery points had to be temporarily shifted intermittently-yet the Bank did function continuously. BoC has been a tower of strength to the people in the North-East.

Now that normalcy has returned, the fad now is to flock to Jaffna and Point-Pedro, Mannar and Vavuniya, Trincomalee and Batticaloa. New vistas- new opportunities- new beginnings.

In this backdrop, we at BoC are spreading out of these north-eastern urban centres in to the hinterland- isolated outposts, farming belt, fishing villages, islands- where the ordinary people manage their day to day existence. For us the opportunities there are immense. We do not search for opportunities; we create them.

A case in focus

### Reaching out across barriers

The island of Delft, western most island off Jaffna peninsula and the second largest island in the country is located 36 miles away from the mainland. Unlike most of the other islands which are linked with the mainland by causeway, Delft can only be reached by boat. This tiny island(47 square kilometers) is populated by circa 2,700 people, mostly fishermen, farmers and craftsmen. They are an isolated community cut off from the landmass by a swath of ocean. Poverty level here is higher than rest of Jaffna peninsula. With scarce resources and inaccessible location, it was not the preferred destination of bankers.

Certainly not till BoC set up a mini-branch in the island. Now, the isolated community has their own bank. Earlier they had to take a boat to Kayts Island for their banking needs.

The mini-bank, Delft extension office manned by a two-member BoC team now has 500 customers and has assisted of them with credit to set up income generating activities.

## Reaching out at Grass Roots- Barefoot Banking- BoC Way

Far away is far away, only if you don't go there.
*- Swahili (East African) proverb*

BoC believes in the ordinary people the down to earth, their capabilities and aspirations, inherent skills and opportunities.

At present, a substantial population in Sri Lanka, consisting of the social segment just above or below the poverty line are reported to be languishing outside the formal banking sector without access to low-cost financial services. This is the so-called non-bankable segment, the destitute lower rung in the society trying to eke out a living amidst severe hardships. Their financial needs are taken care of by informal money lenders, some Non-Governmental Organisations (NGO) and rural thrift and loan societies. All three sources are fragile. Informal money lender credit entail exorbitant interest rates, NGOs may wrap up when donor funds are exhausted and rural thrift societies do not have financial strength and institutional capacity to sustain them over time.

This social segment consists of three broad groups. i.e: economically active poor, poorest of the poor and vulnerably non-poor. They have in common their own identity, capabilities, resources and skills. They may be weak now, but can and will be made strong.

General consensus is that these people lack resources. If resources mean capital, yes, they do. However, apart from capital, they have many other resources, - grit, determination, will power and inborn talent, that need to be harnessed.

Savings- this is the catch word. The poor save. May be not within the mainstream banking system. They may opt for ROSCA (Rotating Savings and Credit Associations) or to use the more familiar usage- Seettu system. On the other hand, poor have different savings concepts. It may be, savings up (saving over a period towards a lump sum at the end) savings down (credit up front to be paid back through a series of future savings) and savings through (a combination of both) In any way, they need easy access to poor-friendly financial services probably at their door step. Going to a town-based bank branch entails a transport cost and loss of at least a half a day's work.

We have identified this social segment, the poor, as a profitable and a formidable future customer base. We are mobilising them into small solidarity groups (SGs) of 5 to 8 members per group. A simple identification process-one page questionnaire covering family life quality, basic sanitation, educational level, disease susceptibility and nutrition level – determines the eligibility. Over the past 2-3 years the Bank has helped set up over 16,000 groups, with 2,800 being formed in 2011 alone. The Bank targets the rural and urban pockets where there is a substantial concentration of poor and disadvantaged communities.

These solidarity groups cut across the entire island- from arid dry-zone farmers to south coast fishing communities, ethnic enclaves to ethnic diversity, harsh back woods in Uva province to Jaffna peninsula and potentially rich and newly re-settled Wanni to the plantation community in Central hills. Even in Colombo slums. Amongst our SHG membership, there are itinerant labourers and chena cultivators, traditional fishermen and school dropouts, toddy tappers and dairymen, tea pluckers and cinnamon peelers and yes- house-wives determined to succeed in life. A real life mosaic of ordinary people.

While group formation requires painstaking and constant guidance by the facilitator, the Bank does not form groups. It only facilitates formation within the larger pool of people in the village who form their own groups based on diverse factors. Group formation is taken through four stages; namely, forming, storming, norming and performing.

Socially mobilised groups have an elected leadership, pre-planned weekly savings and weekly meetings where issues are discussed and consensus is reached at. Combined savings is deposited to the group account, which grows over time. When the group shows consistent performance in savings up for a couple of months, group members become eligible to obtain micro-credit(savings down) for income generating activities. Group members themselves act as guarantee for their fellow members. With peer pressure, loan default is rare. Successful borrowers who pay back their loans are offered repeat credit, not only for economic activities but also for life cycle needs.

Capacity building among group members is taken through a 5 module program designed by the Central Bank of Sri Lanka under JICA funded Poverty Alleviation Micro finance project (PAMP).This is followed by specifically designed financial literacy and leadership development programmes for elected group/society officials. The groups are also taken on exposure visits to other parts in the island where social mobilisation initiatives are successfully practiced.

**We are focusing on less developed rural pockets as well as creating additional service points in larger cities and towns. By the end of 2011, our delivery network consisted of 966 service points**

## BoC Solidarity Group Performance

| | End 2011 | End 2010 |
|---|---|---|
| No of groups formed | **16,396** | 13,586 |
| No of group members | **87,824** | 73,356 |
| No of village centres | **410** | 205 |
| No of village societies | **30** | 08 |
| Volume of group savings (Rs. millions) | **200** | |
| Savings down (loans) (Rs. millions) | **1,297** | 762 |
| Economic activities started | **26,358** | 17,065 |

18% increase in group formation

19% growth in group membership

100% growth in village centres

75% increase in registered village societies

70% growth in financial assistance

Asset creation among the low-income customer segment - Rs 1.2 billion

A case in focus

### Friends-in-need

Kehelulla Mithuru (Friends) Development society is a grouping of 5 SHGs linked with Padiyatalawa branch in rural Uva. The 24 member society is led by village women who have flocked together to rise above subsistence farming, the only available activity in this poor hamlet. Mostly maize farmers, they were frequently subjected to harsh weather and dried up funds.

No more. The Society has established a rewarding relationship with BoC which extended crop finance credit to its members. Their highland fields are now covered in greenery. They have not stopped at cultivating their own fields. Going beyond, the Society has planted a maize plot of one acre, cassava plot of another one acre and half an acre of finger millet(kurakkan) all on communal basis. The income from the communal cultivation would be used to bolster the Society's loanable fund base.

Society meetings are no-nonsense affairs. Errant groups and group members have to answer tough questions by the others. Issues are discussed (how to sell the Harvest? What to plant nest season) and consensus arrived at.

The village and the highland fields are separated by a stream (Oya) which dries up during the annual drought only to become a brownish rapid during rains. Yet, the villagers and bank officers are not deterred. It is both refreshing and amusing to see our team members wading in thigh-deep water, tucking their trousers which any way gets sodden.

When SHGs in a village, show consistent performance with growing savings, apparent social mobilisation and regular relationship with the Bank, 05-15 SHGs are encouraged to form a village centre,with an elected leadership and a working committee representing all member-SHGs. This centre would over time be upgraded as a village savings and credit society linked with BoC and registered with the Registrar of companies giving it a distinct legal identity to borrow and lend. At this stage, the Bank would consider bulk loans for the society which in turn would re-lend to its members, ultimately evolving in to a virtual mini-bank at village level. The exit point for BoC.

## Reaching Out to Diverse Customer Segments

### Customer Capacity Development Programs

Engagements with our customers, a much valued stakeholder group goes beyond our products and services at service point/door step. Taking a cue from the underlying theme -Growing together- we are focused on capacity development among our diverse customer segments. Extent of capacity development is need based. It traverses across marketing, financial literacy and basic book keeping, entrepreneurship development, cash flow management and technical knowledge enhancement (livestock, poultry etc)

| Nature of Programme | No of programmes held | Participation |
|---|---|---|
| Entrepreneur capacity development among aspiring SME borrowers - coverage on project report content, cash flow management, project management skills and marketing for local/global reach | 3 | 340 |
| Seminar for Kandy Traders Association | 1 | 150 |
| Awareness work shop on lease finance - Trincomalee | 1 | 150 |

| Nature of Programme | No of programmes held | Participation |
|---|---|---|
| Awareness work shop for aspiring women customers - Southern Province | 1 | 125 |
| Work shop for Central provincial council members | 1 | 50 |
| Awareness work shop for migrant workers- Badulla | 1 | 500 |
| Siriliya training programme for low income women entrepreneurs- Tangalle | 1 | 150 |
| Poverty alleviation micro finance project- Introductory modules ahead of group formation | 9,635 | 132,130 |
| Financial literacy workshop for solidarity group leaders | 18 | 873 |
| Capacity development programme for group officials | 16 | 589 |
| Exposure visit- solidarity group members | 01 | 32 |

## Initiatives Towards Customer Service Excellence

| Credit Delivery |
|---|
| Delegated credit delivery authority at branch/province level was increased cutting down on time taken for loan approval |
| New credit approval format/scoring model introduced for retail customer segment reducing paper work/approval time |
| Loan request tracking system introduced for easy identification in approval delay |
| Pilot programme to streamline title acceptance on immovable property |
| Automation of Lease finance approval process with online approval |
| Reduction in Lease finance interest rate/equity contribution (up-front rental) |
| **Asset Valuation** |
| Asset valuation review process revamped by increasing vetting authority at branch/province |
| 13 Lease fairs held across the island facilitating on-site approval/delivery |
| **Personalised Service** |
| Daily cash collection at business doorstep at selected branches in Western Province |
| Customer care workshops held for the entire Southern Province team |
| **Service Quality Standards** |
| 5S concept initiated at 50 branches and several head office divisions. This would be extended to cover the entire Bank |

### Bringing the Customers into a Mutually Rewarding Social Management Framework

This year, we initiated a social management framework focusing long term customer sustainability in a competitive business environment.

SME scale customers have been brought under the social management framework where they are encouraged to comply with a range of labour practices with a human rights angle including the acceptance of maximum working hours, freedom of association, defined benefit plans, maternity benefits including paid leave, worker compensation on work place accidents, and minimum wages.

We see this as an opportunity for industrial peace, social harmony and effective labour relations at our customer businesses.

# Into New Vistas

### Islamic Banking

Islamic banking, earlier looked up as a niche market has now evolved as a part of mainstream commercial banking. Here, we identify a social segment with a concerted focus on religious perspectives in commercial transactions- the notion of interest-free transactions in lending money and borrowing.

This customer segment is growing in predominantly Muslim enclaves within the country.

We have identified the sector as a viable customer segment, a distinct facet in our holistic outreach strategy. Our Islamic banking arm performs under the brand, AN-NOOR (the light) and offers Shari'ah compliant products.

Islamic banking market in Sri Lanka is estimated at Rs 250 billion. Present penetration is less than 5% of the market potential. This means that wealth creation potential in the sector is encouraging.

Within a short time span of three years, we have carved out a market share of 10.2% along the way securing the second position behind the pioneer in Islamic Finance.

# Towards Paperless Banking

### Our Mobile Banking Solution

BoC *PayMate*, 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

The professionals in the country are a key element in socio-economic development, the driving force behind infrastructure and industrial development, health care, educational excellence and administrative apparatus. During the year, we created flexible credit packages for diverse professional groups for professional as well as lifecycle needs.

# The Bank has its own strategy in North-East development in tandem with the government's development plan. Our focus spreads on several angles

**Subhash Hotel - Jaffna**

Once a landmark in Jaffna, the hotel was taken over by the armed forces during the war. It has now been handed back and we have financed a loan of Rs 20 million for refurbishment

**Elite Entertainment Park**

A leisure and entertainment complex, the first of its kind in Jaffna peninsula, the project was given start-up financial assistance of Rs 50 million.

## Reaching Out to the North-East

One of the thrusts in the Sri Lankan government's post-conflict development plan is integrated development of the North-East- the two provinces which are lagging behind. The economy here contracted during the 30 year period and the population faced intermittent and frequent displacement, scarcity of jobs, break-down in day to day lifestyle not to mention colossal infrastructure devastation.

The renaissance has now arrived.

The Bank has its own strategy in North-East development in tandem with the government's development plan. Our focus spreads on several angles.

- Out reach expansion within Jaffna peninsula, islands, Wanni and interior areas west of the coastal belt in the Eastern Province.
- Revival/start-up of SME ventures
- Grass root level financing for micro sector/food crops and livelihood development
- Community/social development in a broader context

## Revival/Start up of SME Ventures

Before the war began, SMEs were the livewire in the Northern Province economy. Jaffna based industrialists were known for their innovation as well as improvisation.

With normalcy being restored, SME sector in Jaffna is trying to re-establish itself and we are with them. During the year, we extended finance for several peninsula based SME ventures.

**Elephant Aluminium Works - Tellippalay**

This industry which was within the high security zone has recommenced operations with a loan facility of Rs 7 million for project rehabilitation.

## Livelihood Development

Bringing in normalcy to the tattered North-East had to start at grass root level. Our short to medium term strategy centered on short term food crops such as paddy, onions and vegetables, perennial crops (grapes and cashew), irrigation systems (agricultural wells and pipelines) cottage level industries that would use local raw-materials and small business units that will support mushrooming economic activities.

## NCRCS Facilities Disbursed: Comparison with Northern Province with Rest of the Provinces

| | 2011 | | | | 2008 | | | |
|---|---|---|---|---|---|---|---|---|
| | **No of loans** | **%** | **Amount disbursed Rs. Million** | **%** | **No of loans** | **%** | **Amount disbursed Rs. Million** | **%** |
| Northern province | **16,468** | **50** | **1,225** | **59** | 2,100 | 9 | 102 | 11 |
| Rest of the provinces | **16,542** | **50** | **844** | **41** | 20,453 | 91 | 795 | 89 |

We engaged multiple credit delivery arms to meet the need for finance. New Comprehensive Rural Credit Scheme (NCRCS) for short term food crops and Krushi Navodaya for the perennial crops and poultry sector. Dairy units were financed under agro-livestock development programme. At the bottom, start – up micro level ventures were targeted by solidarity group based Poverty alleviation Credit programmes. Meanwhile, half way along the way, Central Bank introduced Vadakkin Vasantham programme, a comprehensive credit programme that will cover virtually all activities.

## Short Term Food Crops- a Sector with Spectacular Results

A surge in short term crop loans in the Northern Province was a welcome sign. It should be as laterite red soil around Chunnakam-Achchuvely in the peninsula and fallow land tracts in Wanni are among the most fertile in the country. Now, Northern Province accounts for 59% of the short term crop finance under NCRCS. Main contributors were Achchuvely, Kilinochchi, Vavuniya, Chunnakam and Point Pedro branches.

## Back to Basics

**Grape cultivation in the peninsula**

Grape cultivation is a distinct feature in Jaffna agricultural landscape. The ingenuity of Jaffna farmers is best explained by the flourishing vineyards. However, during the turbulent past, it went in to a forced decline in the face of disrupted market conditions.

Now, we have initiated a resurgence in this traditional agricultural practice. A mid-term loan programme to assist grape farmers in Walikamam was launched by Chunnakam branch. Here is the story of a farmer-borrower assisted by us.

A case in focus

## Bonding among themselves and with the outside world

The five-member all-women solidarity group, styled Gnanoli group, is linked with BoC Point Pedro branch. The group has group savings of Rs 68,700 with the Bank. Gnanoli, headed by Ms S Rajani is engaged in diverse economic activities (poultry, home-made sweets and palmyrah products) All five members have obtained savings down (loans) averaging at Rs 45,000 paying their dues before the monthly deadline.

This group is one of the 10 groups amalgamated as Thendral Development Society, Point Pedro. The society has a working arrangement worth Rs 2.5 million with Cargills Food city to supply Palmyrah products(handicrafts and confectionery items) which was facilitated by the Bank under Yarl Uthpaththy programme.

**"I had a savings account opened in 2001 at Chunnakam branch. At that time I could only get a loan against my savings balance. Market conditions in the past were very much unfavourable. This time we grape farmers around 50 got financial help from the bank. I received a loan of Rs 500,000. Last year, my harvest exceeded 4,500 kg. The Bank helped me to get a foothold at Dambulla economic centre. I have saved almost Rs 1 million from sales proceeds. It was the Bank that helped me to stand on my feet."**

- S Gnanneswaran,
Urelu East, Chunnakam

### Yarl Uthpaththy Programme

For small scale producers and entrepreneurs, marketing their products a the major challenge. Numerous small businesses have failed as a result of marketing related issues. Creating market linkages between micro sector entrepreneurs and trading outlets empowers them and builds confidence.

Going beyond routine credit delivery, BoC teamed up with the leading retail chain, Cargills Food city and facilitated a market linkage between them and Jaffna based micro entrepreneurs. Under this arrangement, Cargills sources Palmyrah based products (Items made out of palmyrah leaf and confectionery and sweets from the fruit) from SG producers in the peninsula.

# A Helping Hand at the Grass Roots

## Development Lending

### Short Term Crop Production

Small farmer crop finance covers paddy and 32 other crops which include cereals, pulses, root crops, selected vegetables both up-country and low-country and selected cash crops e.g ginger and turmeric.

Facilities are considered under NCRCS at comparatively very low interest rates (8%) and based on scales of finance and acreage for different crops determined by Central Bank of Sri Lanka. Repayment is at harvest with paddy being given a maximum period of 270 days considering the post-harvest marketing issues.

Apart from paddy which accounts for the major portion of funding, since of late maize has gained popularity together with potato and onions.

BoC is the single largest lender for crop finance under NCRCS.

A case in focus

## Worlds apart-yet sharing a common goal and a helping hand

Mr S Kirubananthar is a 63 year old hardened farmer at Saravanai east, Velanai, a weathered island off Jaffna peninsula.

He is a regular NCRCS borrower with Kayts branch obtaining credit facilities up to Rs 250,000 each season. His varied agricultural ventures spread across onion, chillie, banana and paddy covering 8 acres. The worn out soil is regularly enriched with cow-dung brought over from distant Vanni.

Married and with 3 children Kirubananthar is beaming about his fruitful relationship with BoC.

At the other end, is Mr P L A Appuhamy, a 58 year old customer at Galamuna extension office,a second-generation farmer in Galamuna colony, a rather isolated settler community, 15 kilometres away from the bustling township of Hingurakgoda. Every season, he and his son cultivate 5 acres of own paddy and another 4 acres of leased out fields

In addition to regular crop loans since 1985, he has obtained credit for farm mechanisation (2 two-wheel tractors) and paid them back.

In 1995, the Bank recognised him as a best farmer.

Happily married and with 3 children (2 married daughters and a son engaged in his father's life style), he attributes his success in life to the financial assistance from BoC.

# Our funding for dairy farmers (start-ups as well as expansions) amounts to Rs 526 million. The bulk of this funding has been by way of agro-livestock development loan scheme

### The Success Story of Maize

A few years back, large quantities of maize were imported by animal feed manufacturers and food processors. There was a commonly held belief that Sri Lankan maize had a lot of Aflatoxin. Now, we are almost self sufficient in maize and no one even talks of Aflatoxins. We can rejoice in this achievement as our funding under NCRCS went a long way in this endeavour. Not only, we did assist farmers with funds and advice on post-harvest issues but we linked them with maize processors and large scale food processors. Most of the linkages were on forward sales contracts. Today, maize has become a profitable and popular crop in dry-zone highlands.

### Farm Mechanisation

Expansion and clearing of new agricultural lands, diminishing draught animal herds, limited timelines for land preparation as well as harvesting and labour shortage necessitate introduction of farm mechanisation, more particularly in the dry-zone which account for a major portion of agricultural out put.

The Bank introduced a loan programme styled Govi Shakthi (farmer power) to consider finance for agricultural machinery, equipment and land vehicles. Popular items were, two-wheel and four wheel tractors, water pumps and sprayers, irrigation systems and varied range of seeders, weeders and combine harvesters. Around 5,000 farmer borrowers were financially assisted with a loan volume of Rs 450 million.

### Fisheries Sector

A sector that has so far not harnessed its full potential, the fishery sector was assisted with multiple programmes considering its diversity, income levels of fishermen and institutional capacity.

All major sub-sectors (coastal fishery using traditional craft and mechanised day boats, mid-sea fishery with multi-day boats, inland fishing, ornamental fish culture as well as aquaculture and support services such as freezer trucks and ice plants have been considered for finance. Additionally, self-employment programmes among the fishing and tailor- made loan and savings programmes to develop entrepreneurship among the fishing community is also in operation.

This year the Bank pioneered a loan programme that would further expand the sector.

In this back drop, it is estimated that 35% of the fishermen in the country are BoC customers while 15% of them have received financial assistance.

### Traditional Fishing vs Innovation

One key economic activity which we focus on fisheries. This sector provides 70% of the animal protein need of the country. The export potential in it has not been harnessed with less than 2% of our export earnings.

Sri Lankan fishing industry dominated by traditional fishery techniques is still lagging behind our Asian neighbours. A case in point is our productivity per fisherman which is only 1.73 MT with Thailand yielding a productivity of 7.39 MT. The sector, dominated by coastal fishing(54% of the harvest) has not adequately tapped the fish-rich continental shelf, not to mention the exclusive economic zone. Mid sea fishing is carried out with relatively smaller multi-day boats.

These traditional fishery practices seem outdated in the present context, with bigger boats, long liners and trawlers present.

This scenario focuses us towards larger fishing vessels (Long liners) that can effectively harvest Tuna (Yellow fin Tuna and Skipjack) and Spanish mackerel (Seer fish) both of which have heavy international demand. Another area that can be probed is cage rearing (the ideal locations are countless lagoons on the east coast) for identified species (Sea bass and Milk fish).

We have made exploratory forays in to this sector having engagements with interested project promoters and vessel manufacturers.

## Spearheading National Priorities

### Promoting Dairy Sector

At present 80% of the country's milk requirement is imported in the form of powdered milk and value added products. In this back drop, the government has formulated a strategic plan to expand and upgrade domestic milk production. This strategy is based on a twin-pronged approach, viz, - capacity expansion and yield enhancement at dairy farmer level (producer farmers) and having in place a network of milk processing plants linked with the supply chain.

Our funding for dairy farmers, start-ups as well as expansions amounts to Rs 526 million. The bulk of this funding has been by way of agro-livestock development loan scheme of Central Bank of Sri Lanka which compensates lender banks with an interest subsidy. Funding has covered shed construction, up-grading herd capacity as well as quality, pasture maintenance and farm mechanisation such as milking machinery. The focus is on herd up-grading with European cross-bred (Jersey, Friesian) and Indian breeds.

Dairy farmer sector needs extensive extension services in the form of veterinary services, breeder farms and transit points, artificial insemination, herd health management, disease control and prevention and milk yield enhancement. With this in mind, the Bank has mobilised dairy farmers in to farmer groups linked them with veterinary services and organised a series of dairy farmer awareness work-shops with pre-planned modules and technical input by veterinary surgeons and livestock development instructors. Selected farmers were taken on field visits and in-house training at Mahaberiyatenna farm school.

The North-East has traditionally been a dairy farming province. Therefore, revival of dairy farming and milk processing should occupy a predominant place in the post-war development drive in the two provinces. The Bank has taken meaningful steps to develop the dairy industry in both. Dairy farmer clusters have been formed and constructive steps have been taken to upgrade herd quality and animal husbandry practices working in collaboration with the Department of Animal Production and Health.

### Dairy Sector Assistance at A Glance

| | |
|---|---|
| Number of dairy farmer units (start up/ expansion) | 1,400 |
| Total herd capacity (Milking cows) | 3,063 |
| Total loan disbursement | Rs 526 million |
| Credit disbursement for milk processing units | Rs 377 million |
| Direct/indirect employment at farmer units and processing units | 5,000 persons |

A case in focus

### Yarlpanam dairy project

BoC through its fully owned subsidiary, BOC Management and Support Services (Private) limited is gearing to develop agri-business in Northern Province. Yarl panam Dairy Development limited, a joint venture between BoC and well known conglomerate Cargills PLC is to set up a milk processing plant at Kilinochchi. The land, in extent 8 acres has already been allocated and land development is under way. The project is planned to pass through 3 project phases i.e. Chilling centres and milk supply chain, pasteurised milk and yoghurt production and value added products across a 3 year time line. When in full swing, the project would link up with a supply chain of 1,000 dairy farmers in Wanni.

Our group investment in this project is estimated at Rs 100 million.

**BoC is the pioneer in facilitating market linkage funding in paddy/maize.**

## Creating Market Linkages

### Strengthening Food Security

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 such as rice millers and maize processors during the year totaled Rs 6 billion.

| Season | No of facilities | Amount Rs Millions |
|---|---|---|
| Yala 2011 | 34 | 3,385 |
| Maha 2011 | 44 | 2,642 |

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.

### SME Sector

SME sector, the catalyst for national economic development in any country, bridges the gap between micro sector and large scale industries, creating up stream and downstream market linkages in the process. During the year, the Bank set in motion an independent SME unit at head office to drive the sector. This will be followed by SME units in all 10 provinces and a bank branch set-up solely for the purpose of SME sector development in all administrative districts in the country.

This initiative needs trained credit evaluation officers as well as entrepreneurs with financial literacy and management/marketing skills. The result was a series of training programmes specially designed to back up the initiative. The twin programs were designed and held during the first half of the year.

Programmes for credit appraisal officers ran for 4 consecutive days (30 training hours) and covered a diverse range of subjects (regulatory framework, customer need assessment, market analysis,

management evaluation, technical evaluation, financial evaluation including cash flow forecast and investment appraisal, project visit methodology) and also work-shop sessions through case studies.

One- day entrepreneur work shop focused on financial record keeping, project proposal preparation and marketing for local and global reach.

## Outcome in this Initiative

Entrepreneur program 3 work shops 340 participants

Loan officer training 10 programs 866 participants

During the year, total SME loan delivery was Rs. 2.0 billion for 257 projects, the bulk going towards services sector - Rs. 742 million

Food processing - Rs. 550 million, Wood products - Rs. 122 million and Construction sector - Rs. 109 million.

## Development Credit Programs Introduced in 2011

| Programme Profile, Objective and Target Borrower Group | Target Fund Usage Rs. Million | Fund Usage In 2011 Rs. Million |
|---|---|---|
| **Viskam Credit Programme**<br>This programme envisages agricultural value addition through innovative agro-industry initiatives, including milk processing and value addition. This would necessarily build up forward and backward market integration. e.g: breeder farms, transit farms, veterinary services, feed supply, milk collection and chilling centers, retail network.<br>The expectation is that the programme would drive traditional crop based agriculture and animal husbandry towards value chain development<br>Target group: Individuals and groups of individuals or companies engaged in or having expertise/experience in agro-industries | 15 | 12 |
| **Credit Programme for Horticulture and Self employment**<br>Targeted at individuals and/or groups of individuals within the low-income social segment, the programme would raise home gardens towards a commercial scale. The underlying theme is transforming traditional subsistence level home gardens in to innovative and at the same time intensive agriculture models.<br>Other than home gardening and commercial agriculture, the programme would also accommodate innovative self employment ventures | 1,000 | 942 |
| **Prosperity Loan Program (Saubhagya)**<br>Focus will be on disaster (natural or man-made) affected micro, small and medium scale enterprises (MSMEs) involved in Livestock and fishery sectors. The objective is to revive the capacities and efficiency level of disaster affected units falling in to the specified project sectors.<br>The eligibility is restricted to individual borrowers. | 100 | 90 |
| **Tea Development Project-Revolving Credit line**<br>The programme is funded by the recoveries made out of the ADB funded Tea Development Project and operative in 14 districts identified as tea growing areas.<br>Tea smallholders, smallholder societies and privately held tea plantations (as opposed to regional plantation companies) would be financed for re-planting, infilling and plantation start-ups.<br>The programme is to be carried out with pro-active participation of Tea Smallholder Development Authority which would register applicants and offer technical advice/assistance. | 50 | 54 |

| Programme Profile, Objective and Target Borrower Group | Target Fund Usage Rs. Million | Fund Usage In 2011 Rs. Million |
|---|---|---|
| **Fishery Credit Programme (Diyawara Diriya)** | 1,000 | 226 |
| The Bank's internally generated resources fund this programme which would substantially increase the national fish catch and result in positive cash flows and enhanced yield levels in the fishery sector.<br>The programme operates in tandem with the national fishery development programme initiated by the Ministry of Fisheries and Aquatic Resources.<br>Diverse segments in the sector (coastal fishery, mid and deep sea fishing, Inland fishery and even fish farming) would be assisted under the planned programme.<br>Facilities would be considered for fishing vessels (day boats, multi-day craft, Long liners,) fishing gear, navigation and communication equipment, supply chain (Ice plants) and transport facilities(Freezer trucks) and farm management.<br>Target beneficiary group: Individuals, groups of individuals and fisheries companies registered with the Fisheries Department. | | |
| **Siriliya Credit Programme** | 500 | 304 |
| A credit plan exclusively for women entrepreneurs, Siriliya focuses on dynamic, skilled women entrepreneurs. Key features are flexible terms, relaxed collateral cover, concessionary interest rates that are more favourable for small borrowers, extended repayment plans running in to 8 years and low transaction costs fixed at 1% of the disbursement. | | |

## Wealth Creation Across the Nation

| Category | No of Beneficiaries | Loan Volume Rs. Million |
|---|---|---|
| Small farmer credit-crop finance | 33,010 | 2,367 |
| Dairy farming-ALDL programme | 1,437 | 526 |
| Farm mechanisation | 2,657 | 824 |
| Agriculture based livelihood development including agri-business/perennial crops | 5,628 | 1,478 |
| Fisheries sector- | 560 | 256 |
| Commodity purchase | 78 | 6,027 |
| Creating self employment avenues | 82,196 | 5,896 |
| Milk processing plants | 03 | 377 |
| SME projects | 257 | 2,051 |

## Our Footprints in Development Lending

Central Bank of Sri Lanka confirms our benchmarks in development credit. We are the market leader in,

- NCRCS scheme (Short term crop finance) - 37.5% of total loan delivery
- Awakening North Credit scheme - 32.7%
- Poverty Alleviation Micro credit programme - 39.9%

# Reaching out to the Community

## Here, we talk about our community development initiatives promoting national heritage, health care, social infrastructure, cultural and religious diversity, sports and recreation and voluntary hours spent by our team members in community development.

## Overview

Community development at the grass root level and social responsibility are in our DNA. Not only we do give material and financial support towards diverse community development initiatives but our team also extends their voluntary time to back up material and financial assistance. The major driving factor in our initiatives was their dedication and commitment.

Our social initiatives are grouped under national heritage, health care, community responsibility and inter-action with socio-economic groupings. Initiatives focusing on education and life balance have been included under the theme.

## The Next Generation

### Health Care

**Ranorawa Rural Hospital Development Initiative**

An impoverished rural community North-East of Anuradapura close to Wilpattu national park, Ranorawa was selected by us for a major CSR initiative.

Ranorawa and surrounding villages of Dunumandalawa, Oyamaduwa, Bogas wewa, Panorawa and Mahavilachchiya are typical dry-zone villages facing a multitude of socio-economic issues, health care being a major area of concern. The dilapidated rural hospital at Ranorawa serves a community around 2,000, 90% of them below the poverty line.

Ranorawa hospital modernisation initiative plans to renovate the existing hospital infrastructure and setting up a new outpatient treatment unit, (OPD). OPD would have 2 doctor consultation rooms, surgical dressing facility, clinic, dispensary, drug stores, toilet and wash room facilities and spacious lobby for patients.

CSR funding of Rs. 6 million was allocated to renovation/construction work. The opening of the Hospital was held on 7th March 2012.

### National Heritage

**The Ultimate Cultural Extravaganza - Kandy Dalada Perahera.**

This year too we supported the biggest cultural pageant in the country, Dalada perahera. This is an event which draws attention globally with thousands of tourists flocking to witness the age-old traditions, dance rhythms and folk music, rituals and ceremonies connected with the sacred tooth relic.

In addition to sponsoring the perahera we supported the Dalada Maligawa newsletter and launching of its web site.

**The Esala Pageant at Kataragama**

Venerated pilgrim congregation in the south-east, 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.

**Digavapi Restoration Project**

A historic site dating back to 110 B.C, Digawapi in 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.

**Galle Fort Renovations**

CSR Project completed in 2010/2011 at the UNESCO World Heritage site of Galle Fort, opposite the 19th century Eglinton House now the home of BoC Regional Office Southern Province Fort Galle. at a cost of Rs 950,000/- with the recommendation of the Department of Archaeology and the Galle Heritage Foundation of the Ministry of National Heritage.

The fortification between the Utretch Bastion and Aurora Bastion was repaired, conserved and also turfed with buffalo grass. The ancient shade trees were pruned, conserved and stone protection barriers erected. The road and rampart walk was repaired and the parking area was developed and conserved.

Photographs depict before & after renovations.

## Unichchai Village Adoption Programme

Unichchai is a remote village in Batticaloa district, which was severely affected by the 30 year long war. The villagers who abandoned the village during the turbulent past are now coming back with 375 families already resettled. These people face 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 Central Bank of Sri Lanka, 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 Bank contributed a sum of Rs 2.5 million as a CSR initiative.

The project is coordinated by province management.

The next step of mobilising the villagers in to solidarity groups and bringing them to credit delivery threshold is under way with specifically assigned field workers.

**Initiated by the Central Bank of Sri Lanka, 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.**

# Community investments

## Other CSR involvements during the year

| HEALTH CARE |
|---|
| Construction of an emergency treatment unit at Wellawaya hospital - Moneragala district |
| National dangerous drugs control Board - Counselling work shop |
| Acupuncture treatment clinic held at Kappalthurai Ayurveda hospital in Trincomelee with the professional assistance of a 13 member Korean physician team. 1,064 patients were treated. |
| Mobile medical clinic at Gomarankadawala, 250 patients offered treatment |
| Renovation of a ward at Anuradapura general hospital with voluntary participation of the staff |
| Voluntary cleaning initiative by staff at Rambewa, Eppawala hospitals and at Anuradapura rural hospital |
| Re-wiring and renovating Bibile base hospital |
| Establishment of a herbal garden at Medagama Ayurvedic hospital |
| Renovating/refurbishing Mahiyanganaya hospital with employee voluntary labour running in to 4 days |
| Repairs and renovations to wards 4 and 5 at Kurunegala general hospital with 2 day voluntary labour of employees |
| Sri Lanka Cancer society- National walk for cancer. sponsorship and participation of employees |
| Sponsored the 8th academic conference of Sri Lanka college of Obstetricians and Gynecologists |
| National Rabies Eradication Campaign conducted by Animal Welfare and Protection Association |
| Sri Lanka Eye Donation Society - sponsorship |
| Logistical assistance to Asian spinal cord network's 10th ASCoN conference |
| Epilepsy task force-awareness walk on Epilepsy |
| Renovation of ward 24 at Kurunegala general hospital |
| Voluntary blood donation campaigns at head office building and various provincial locations focusing on the Bank's anniversary |
| Partner sponsor for The Trial - the 27 day, 680 kilometre walk for construction of a child cancer ward at Jaffna general hospital. |
| Ward no 33 at Kandy General hospital renovated with voluntary labour of employees |
| Renovation of Galagedara hospital |

# Sustainability Report

| COMMUNITY RESPONSIBILITY |
|---|
| Savings awareness campaigns with employee voluntary participation through road shows and door to door campaign |
| Collaborated with Sunera foundation to donate 100 childrens savings pass books to differently abled children at Imaduwa |
| Salutation programme for pre-school teachers at Kamburupitiya |
| Renovation/repair of clock tower and iron fence at Badulla town |
| Tree planting campaigns at province level on the Bank's 72nd anniversary |
| Voluntary relief work by employees at flood affected areas including distribution of supplies and dry rations |
| Devotee assistance programme at Talawila feast |
| Employee participation in dengue awareness campaigns across the highly susceptible areas |
| Construction of 3 unit pilgrims rest at Church of our Holy Mother - Madhu |
| Elders' day celebration at Kaithady Elders' Home, Jaffna |
| Independence day celebrations at Bogambara, Kandy |
| General convocation ceremony - University of Peradeniya |
| 45th anniversary of Kandy Young mens' Buddhist Association |
| Kandy District Arts festival organised by the District Secretary, Kandy |
| Renovating the road leading to Adam's peak (Sripada) |
| Largest granite Buddha statue at Rideegama |
| Gam udana (village reawakening) programme at Wellawaya Mahinda Rajapakse Community hall with the participation of 1,000 villagers. |
| Island-wide best farmer contest (Soora Goviya) sponsorship at Badulla |
| Deyata Kirula exhibition at Buttala |
| Childrens' Art competition- Digana Branch |
| Divineguma exhibition- Kegalle Balika Vidyalaya |
| Walawe Super Cross - Motor show- |
| **RELATIONSHIP WITH TRADE CHAMBERS - SPONSORSHIPS** |
| Ceylon Chamber of Commerce - Best Corporate Citizen award |
| Sri Lanka Export Development Board - Expo bazaar 2011 |
| Sri Lanka Bureau of Foreign Employment - 25th anniversary |
| Institution of Incorporated Engineers - INCO Trade fair |
| National Chamber of Commerce Sri Lanka - Ayurveda Expo 2011 |
| National Chamber of Exporters of Sri Lanka - 19th Annual NCE Export award |
| Lanka Exhibition and conference services - Batticaloa International Trade Exhibition |
| Sri Lanka Chamber of Small and Medium Industries - Industrial Excellence awards 2011 |
| Lanka Exhibition and Conference Services - Jaffna Trade fair 2011 |
| National Chamber of Commerce Sri Lanka - National Business Excellence awards 2011 |
| The Ceylon Chamber of Commerce - Best Corporate Citizens award 2011 |
| Chamber of Construction Industry Sri Lanka - Seminar on road construction |
| National Chamber of Exporters of Sri Lanka - NCE 25th anniversary celebrations |
| Coconut Growers Association- Annual general meeting and agriculture fair |
| Federation of Chambers of Commerce- FCCISL - Entrepreneur of the year |
| The Ceylon Chamber of Commerce - Tourism product meet mart |

# Reaching out to the future

## Investing in the Nation's Future

### Hapana Scholarship Programme

Year 5 scholarship examination is considered a watershed in the country's educational system. It enables successful students to pursue secondary education at prestigious, high-achieving national schools and is an ideal platform towards educational excellence.

BoC continued with its partnership alongside 'Hapana' educational publication and financially assisted 70 pre-examination work-shops benefiting 34,879 students. Thrust of this programme was on less-developed schools in the periphery where access to private tution is rare. The list of schools chosen as venues reflect that under-developed pockets across the island (e.g: Weligepola which is considered as a major poverty-ridden area, Pemaduwa close to Tantirimale, Attanakadawala in Elahera colonisation scheme, Rajanganaya, Migalewa, Lunugamwehera and Aralaganwila) were given this opportunity. Even in the western province, focus had been on less privileged small rural schools. This was a continuous operation running through the first half of the year.

These students representing the entire country including the North-East were given a full day work shop on the examination content as well as preparation and psychological balance. The accompanying parents numbering 28,092 were accommodated at a separate work -shop which focused on parental guidance and balanced life planning.

| Venue | No of Participants | Venue | No of Participants |
|---|---|---|---|
| Medemulla Maha Vidyalaya, Melsiripura | 500 | Basthian Silva Vidyalaya, Kekirawa | 350 |
| Ibbagamuwa Model School | 128 | Chandrajothi Maha Vidyalaya, Yakkala | 275 |
| Migalewa National School, Migalewa | 625 | Katukenda Sangabodhi Vidyalaya, Dankotuwa | 400 |
| Tract 5 Vidyalaya, Rajanganaya | 400 | Pradeshiya Sabha Auditorium, Bulathsinghala | 350 |
| Dehiattakandiya National School | 1,200 | Pothupitiya Model School, Wadduwa | 450 |
| Mahaweli Community Hall, Aralaganwila | 500 | Sewamuktha Kandawura Maha Vidyalaya, Sewagama | 300 |
| Pedric College, Horana | 350 | Attanakadawala Maha Vidyalaya, Kottapitiya | 532 |
| Bandaragama National School, Bandaragama | 550 | Udawalawa primary School, Udawalawa | 500 |
| Fatima Muslim Balika Vidyalaya, Puttalam | 500 | Godakawela National School, Godakawela | 700 |
| Nattandiya National School, Nattandiya | 500 | Rambadagalla Maha Vidyalaya, Ridigama | 500 |
| Weligepola Maha Vidyalaya, Balangode | 740 | Kotapola National School, Kosmodara | 400 |
| Kahawatte Central School, Kahawatte | 450 | Deyyandara National School | 450 |
| Pannala National School, Pannala | 450 | Bandaranayaka National School, Nochchiyagama | 400 |
| Hindu College, Chavakachcheri | 500 | Siddartha Vidyalaya, Pemaduwa | 600 |
| Manipay Memorial Navodya School, Manipay | 450 | Sobitha Primary School, Sapugaskanda | 400 |
| St Sebastian Maha Vidyalaya, Kandana | 85 | Kirindiwita Maha Vidyalaya, Ganemulla | 350 |
| Divisamara Maha Vidyalaya, Seeduwa | 311 | Pathiraja Vidyalaya, Mihintale | 600 |
| Baptist College, Rattota | 600 | Medawachchiya Madya Maha Vidyalaya | 600 |
| Wattegama Maha Vidyalaya, Wattegama | 400 | Gamini Madya Maha Vidyalaya, Bentota | 550 |
| Inamaluwa Vijaya Wimalaratna Vidyalaya, Sigiriya | 410 | Mahawathya Vidyalaya, Athurugiriya | 400 |
| Mahanama Vidyalaya, Tirappane | 308 | NM Perera Vidyalaya, Yatiyantota | 500 |
| Sri Sumanajothi Maha Vidyalaya, Ingiriya | 400 | Atulugama Mayadunna Vidyalaya, Dehiowita | 260 |
| Hettipola Maha Vidyalaya, Hettipola | 600 | Teldeniya National School | 600 |
| St Bernedettes College, Polgahawela | 450 | Baptist College, Rattota | 600 |
| Royal College, Moneragala | 695 | Ranna National School, Ranna | 450 |

| Venue | No of Participants | Venue | No of Participants |
|---|---|---|---|
| Banrarawela Madya Maha Vidyalaya | 500 | Muruthawala Maha Vidyalaya, Middeniya | 200 |
| Theraputta National School, Ambalantota | 500 | Sangamitta Vidyalaya, Pinnawala | 300 |
| Vijitha Madya Maha Vidyalaya, Dickwella | 750 | Ipologama Maha Vidyalaya | 700 |
| Gelioya Pragnananda School, Gelioya | 500 | Sugathananda Vidyalaya, Madampe | 450 |
| Bhadrawathi Maha Vidyalaya, Galaha | 700 | Dutugemunu Maha Vidyalaya, Pothuhera | 400 |
| Aluthgama Maha Vidyalaya, Aluthgama | 250 | Indipelegoda Maha Vidyalaya, Pitigala | 720 |
| Kiriella Maha Vidyalaya, Idangoda | 500 | Rajapakse Maha Vidyalaya, Ahungalla | 500 |
| Karandeniya National School | 150 | Ginigathhena Madya Maha Vidyalaya | 1,000 |
| Tissa Maha Vidyalaya, Kalutara | 500 | Sripada Vidyalaya, Hatton | 1,200 |
| Lunugamwehera Maha Vidyalaya | 840 | Mahabedda Maha Vidyalaya, Welioya | 500 |

## Other Educational Initiatives

| Initiative | Result |
|---|---|
| **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 5 scholarship examination were awarded cash prices amounting to Rs 20 million in total. These awards, credited to their accounts will grow with them and be a boon when they reach university entrance threshold. | • 1,750 scholarships of Rs 10,000 each on island wide merit<br>• 250 scholarships for top 10 places in each of the 25 districts |
| **Rankekulu NENAPAHANA Programme**<br>The Bank awards 2 unique scholarships to the two students who obtain highest marks at year 5 scholarship examination in Sinhala and Tamil medium. They are awarded a monthly stipend from year 6 all the way up to graduating. Initially, the monthly payment is set at Rs 1,000 increasing annually to reach Rs 5,000 on the final year at the university. | This year, there were three winners as two students had secured identical marks in Sinhalese medium. |
| **18+ Scholarship Programme**<br>• 72 scholarships at Rs 30,000 each for students selected for any University based on a draw.<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 Rs 2.8 million, to the best among our 18+ account holders who did well at General Certificate of Education (Advanced Level) examination to secure admission to National universities |
| **Assisting Future Leaders- School Leaver Programme**<br>Each year, thousands of students face the university entrance examination with only a selected few winning the chance for free university education. Among them are hundreds of students from not so affluent social background.<br><br>For a considerable period, BoC has been giving in-house training to aspiring school leavers. They are offered a six month stint at bank branches, exposing them to customer care, front office transactions, field work, loan recovery etc. The Bank pays a per diem stipend to the selected trainees. This year, we trained 3,000 students investing Rs 89 million in the process. | This year, we trained 1,547 students investing Rs 89 million in the process. |

| Initiative | Result |
|---|---|
| **Graduate Training Initiative**<br>We have a close inter-action with national universities in their quest for academic excellence and educational benchmarks. As a national icon, building up national excellence is part of our heritage.<br><br>As a part of this initiative, this year too we gave on the job training to undergraduates referred to us by the national university system<br><br>They were accommodated at Human Resources, Treasury, Financial Accounting, Information Technology, Marketing and general business units and offered practical job insights on human resource development, treasury operations, financial reporting and accounting, Information technology application in business systems, marketing aspects in banking and business administration within a banking perspective. | This year we trained 442 undergraduates.<br><br>Out of the length of training which ran in to 6 months, 80% was covered by on-the-job exposure with the balance covered by inter-active sessions and discussion with senior bankers. |
| **Rankekulu Sansada-School Savings Units**<br>We have established school savings units across the island not only to inculcate the banking habit among the school children but also to create awareness among them in banking and financial services. These school savings units are manned by students themselves, giving them an opportunity to acquire financial literacy and accounting skills. | As of the end of the year, 2,418 school savings units were in operation. |

## How Our Little Savers Save

| | |
|---|---|
| Total number of savings accounts maintained at schools | 423,252 |
| Savings units | 2,418 |
| Total savings volume | Rs. 492 million |
| Average savings balance in an account | Rs 1,100 |

| | |
|---|---|
| **Helping the Youth Towards Excellence**<br>A series of educational seminars were held in North-Western province for the benefit of students who sat for the General Certificate of Education (Ordinary level) examination in 2011. | Duration- 21 days<br>participation- 30,000 students |
| **Educational Loans**<br>With only a limited number of places available in the national university system where competition as well as the selection cut off point is high, extending loan facilities for educational purposes itself is an investment for the future. It enables deserving students to complete higher education overseas or at private sector managed local tertiary educational institutions.<br><br>BoC Educational loan programme assures a hassle free path way towards academic achievement. | Year our total loan disbursement under this segment was Rs 122 million for 268 beneficiaries. |

# Reaching out to the achievers - our team

**This section looks at our labour relations through a range of measurements and performance levels- the hiring process, rate of new hires and turnover, compensation policy, career development opportunities, defined benefit plan, non-salary benefits, skill development plans and performance, human rights adherence and work-life balance.**

## An Overview

With strong credentials running back in to 70 plus years, solid past performance and financial standing ensuring job security, compensation at par or even higher than the industry averages and excellent career path development potential, BoC is a much preferred among the job-seeking high achievers in the country.

The team BoC, now over 8,000 strong, is our major asset- the driving force behind the quest for national wealth creation and economic development, closely aligning with the Government's nation building expectations, goals and strategy.

This team is getting younger, evenly spread in gender, consists of more and more front line staff and 80% of them assigned at provincial level.

We are an equal opportunity employer. There are 200 plus differently abled - and gifted - team members working with us. More than half of our front line team are women. We do not practice and condone child labour and gender-based compensation. For us all are alike.

### Transparent entry - A level playing field

Our recruitment policy is significantly transparent at the two-way entry level. Both groups, aspiring staff assistants with General Certificate of Education (Advanced level) and prospective Management Trainees from the pool of newly passed out graduates and professionals (Attorneys-at-law and Accountants etc) are tested at a placement test independently planned, carried out and evaluated by the Department of Examinations, the National testing body. High achievers at the placement test are invited for interview to assess their capacity, capability, attitude and aptitude to become a front line member of the BoC family. This year, as in the previous years, recruitments were made on provincial basis, significantly reducing job related traveling and creating a geographical balance tilting towards the less developed periphery.

This year, 547 new members joined the BoC team, along the way making it much younger and a refreshingly professional outfit.

### New Employee Hires and Turnover in 2011

| Employee Category | New Hires male | New Hires female | Turnover During The year male | Turnover During The year female |
|---|---|---|---|---|
| Technical staff | 21 | 05 | 0 | 0 |
| Management Trainees | 132 | 167 | 0 | 01 |
| System Analysts | 05 | 1 | 0 | 0 |
| Legal officers | 01 | 8 | 0 | 0 |
| Typists | 07 | 160 | 0 | 0 |
| Secretarial Assistants | 02 | 38 | 0 | 0 |
| Total | 168 | 379 | 0 | 01 |

New hire male: female ratio = 31:69

Rate of new hire turnover = 0.2%

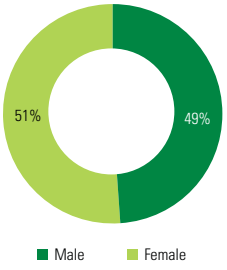
**BoC is a much preferred among the job-seeking high achievers in the country.**

## Team Profile

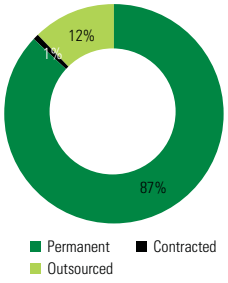
| | 2011 | | 2010 | |
|---|---|---|---|---|
| | Male | Female | Male | Female |
| **Team by Employment type/gender** | | | | |
| Permanent | **3,963** | **4,152** | 4,233 | 3,971 |
| On contract | **70** | **02** | 86 | 0 |
| Outsourced | **1,076** | **22** | 1,058 | 0 |
| **By Employment Category** | | | | |
| Corporate Management* | **14** | **4** | 15 | 4 |
| Executive Management | **34** | **11** | 31 | 16 |
| Chief Manager | **73** | **26** | 70 | 25 |
| Senior Manager | **118** | **50** | 102 | 40 |
| Middle Management | **1,521** | **1,369** | 1,517 | 1,218 |
| Front line staff | **1,791** | **2,676** | 1,781 | 2,630 |
| Support staff | **418** | **16** | 723 | 38 |
| **Total** | **3,969** | **4,152** | 4,239 | 3,971 |
| *The corporate management members include 6 contracted employees | | | | |
| **By Geographical Distribution** | | | | |
| Head office | **919** | **817** | 1,069 | 998 |
| Western Province | **855** | **1,236** | 955 | 896 |
| Central Province | **386** | **341** | 392 | 367 |
| Eastern Province | **247** | **150** | 202 | 190 |
| Northern Province | **217** | **222** | 216 | 202 |
| North Central Province | **269** | **239** | 253 | 237 |
| North Western Province | **338** | **320** | 347 | 325 |
| Sabaragamuwa Province | **205** | **255** | 234 | 220 |
| Southern Province | **347** | **364** | 379 | 355 |
| Uva Province | **186** | **208** | 192 | 181 |
| **Total** | **3,969** | **4,152** | 4,239 | 3,971 |
| **New Employee Hires By Age Group** | | | | |
| 18-24 years | **4** | **53** | 312 | 534 |
| 25-34 years | **160** | **316** | 191 | 253 |
| 35-44 years | **4** | **10** | 0 | 1 |
| 45-54 years | **0** | **0** | 0 | 0 |
| 55 and over | **0** | **0** | 0 | 0 |
| **Total** | **168** | **379** | 503 | 788 |
| **By Region** | | | | |
| Head office | **26** | **90** | 11 | 8 |
| Western Province | **13** | **79** | 93 | 201 |
| Central Province | **10** | **27** | 62 | 60 |
| Eastern Province | **20** | **13** | 52 | 49 |
| Northern Province | **15** | **26** | 53 | 98 |
| North Central Province | **35** | **32** | 54 | 83 |
| North Western Province | **12** | **28** | 58 | 74 |
| Sabaragamuwa Province | **8** | **23** | 32 | 60 |
| Southern Province | **11** | **28** | 60 | 92 |
| Uva Province | **18** | **33** | 28 | 63 |
| **Total** | **168** | **379** | 503 | 788 |

| | 2011 | | 2010 | |
|---|---|---|---|---|
| | Male | Female | Male | Female |
| **Employee Turnover by Age Group** | | | | |
| 18-24 years | **0** | **2** | 0 | 1 |
| 25-34 years | **7** | **21** | 0 | 7 |
| 35-44 years | **3** | **1** | 0 | 2 |
| 45-54 years | **1** | **1** | 0 | 0 |
| 55 and over | **0** | **0** | 0 | 0 |
| **Total** | **11** | **25** | 0 | 10 |
| **Employee Turnover by Region/Gender** | | | | |
| Head office | **5** | **3** | 0 | 1 |
| Western Province | **0** | **6** | 0 | 7 |
| Central Province | **1** | **1** | 0 | 2 |
| Eastern Province | **1** | **1** | 0 | 0 |
| Northern Province | **0** | **2** | 0 | 0 |
| North Central Province | **2** | **2** | 0 | 0 |
| North Western Province | **0** | **5** | 0 | 0 |
| Sabaragamuwa Province | **1** | **0** | 0 | 0 |
| Southern Province | **0** | **3** | 0 | 0 |
| Uva Province | **1** | **2** | 0 | 0 |
| **Total** | **11** | **25** | 0 | 10 |

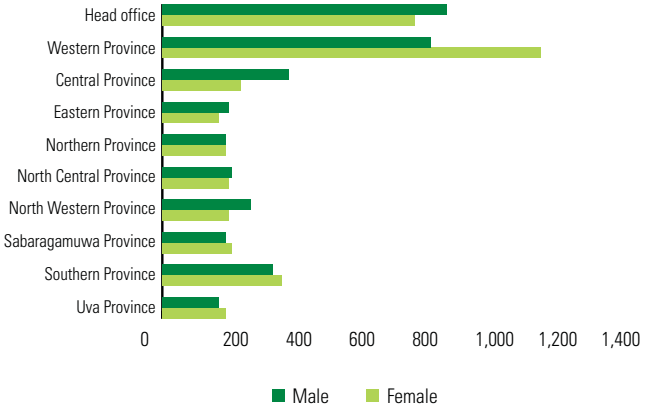
**Permanent Staff 2011**



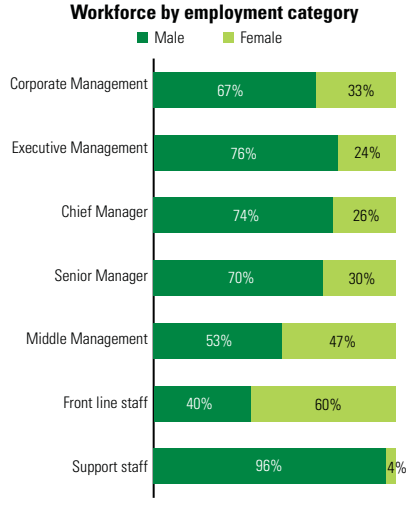

**Total Work Force 2011**




**Work Force by Geographical Distribution**



# Our team is encouraged to select their distinct career paths within the Bank. Some opt to stay in general banking while others would move on to different specialisations




## Employee Compensation

Our compensation policy matches with the rest of the banking industry. Salary structures and non-salary benefits (medical benefits, leave encashment, overtime payments, travelling and subsistence allowances, specific job-related allowances) are revised every three years based on a collective bargaining process with employee representatives- their trade unions.

## Entry Level Wage

| | |
|---|---|
| Staff Assistants | Rs. 12,500 |
| Trainee typists | Rs. 10,000 |
| Management Trainees | Rs. 25,000 |

## Career Path Development

Our team is encouraged to select their distinct career paths within the Bank. Some opt to stay in general banking while others would move on to different specialisations such as treasury operations, credit, International trade finance, corporate banking, micro-finance, SME lending, project finance, back office operations, recovery and remedial management, financial accounting and risk management etc. They are provided with on the job training and local/overseas exposure in their chosen fields.

Team is regularly rewarded for their achievements and work standards. Promotion policy of BoC is designed in a manner where it is possible for a second tier (staff assistant grade) entry-level employee to become the Chief Executive officer. It has happened twice in the recent past. Promotions are awarded on grade-wise cadre requirements and the placement policy. The Bank conducts a job- based testing system for grades up to senior manager level with clearly defined syllabuses. Eligibility is based on successful job-related testing and mandatory service span at the present level. Promotions are decided at an interview giving weight to performance at the interview and points scored on professional/ academic qualifications, service length, specific commendations, performance based appraisal and national level achievements.

## Promotions in 2011

| Promoted to | Number |
|---|---|
| Officer Trainee | 121 |
| Manager | 172 |
| Senior manager | 70 |
| Chief Manager | 24 |
| Deputy Chief Security officer | 11 |
| Legal officer II | 13 |
| Legal officer I | 3 |
| Senior Legal officer | 11 |
| Security officer | 17 |

## Non-salary Benefits

**Defined Benefit Plan**

Our team is looked after beyond their work-life. We have our own Defined benefit plan. The Bank of Ceylon Employees Pension Fund is a non-contributory pension plan. Bank of Ceylon Provident Fund, and BOC Widows and Orphans' Pension Fund are contributory funds. All three funds are administered by Boards of Trustees which include employee/pensioner representatives. Investments under the funds are done in a transparent and a prudent manner. Member beneficiaries are invited for the Annual General Meetings convened by the funds where questions can be raised and clarifications sought on fund feasibility and investment policy. In addition, the Bank contributes to Employees Trust Fund on behalf of all employees.

Outside actuarial consultants carry out periodical actuarial valuations to determine the feasibility and funding gaps in the funds. The most recent Actuarial valuation done by Messrs Piyal S. Goonaillake & Associates in 2011 confirm that funding gap in BOC pension fund has narrowed down to 6%.

By end 2011, BOC Pension Fund's accumulated fund balance was Rs 46.5 billion and there were 5,103 pensioners drawing monthly pensions.

**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**

We care for the health of our team. A comprehensive medical assistance scheme covers all employees and reimburses actual expenses under routine medical expenses, hospitalisation, surgical expenses, maternity expenses, corrective treatment including spectacles, hearing aids and contact lenses and also covers critical illnesses which require major surgery (heart by-pass, kidney transplant, brain surgery etc). The scheme covers the team member, spouse and unmarried children up to 18 years. The scheme which is nominally contributory also allows members to link still unmarried children between 18-25 as subscribed dependants.

Coverage under this plan extends to pensioners and their life partners as well. During the year, medical benefits to our pensioner members took a giant leap forward where critical illness category benefits were added on.

## Value of Non-salary Benefits in 2011

| Category | Amount in Rs Million |
|---|---|
| Contribution to Pension Fund | 1,608 |
| Contribution to Provident Fund | 526 |
| Contribution to Widows and orphans' Pension Fund | 456 |
| Medical benefits reimbursed | 386 |

## 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

To be the best team of achievers, team BoC needs continuous knowledge upgrade, skill development and fine-tuned soft skills. What we need is a professionally honed, committed and outgoing team. This is the reason why Training and skill development take a front seat at BoC.

Our training arm is headed by an Assistant General Manager reporting to Deputy General Manager (Human Resources)

Central Training Institute is housed in a purposefully built and easily accessible location at Maharagama, next to our Maharagama Branch on Highlevel Road. This facility consists of air-conditioned lecture halls, an auditorium, segregated hostel facilities for males and females, a dining hall, a distant English language learning centre, an administration and supporting unit, a library and audio-visual training aids.

## Teaching Faculty

Program planning and co-ordination is by a four member in-house core faculty with sound academic and professional backgrounds. Distance English Language unit is headed by an experienced educationist, recruited on contract basis. There is an associate faculty consisting of senior bankers both retired and serving with a wealth of experience and outside experts specifically chosen for diverse subject areas.

## Program Planning

Training programs are planned annually based on the team requirements, Bank's business development strategy and changing perspectives in banking. Direct input for team requirement emanates from the performance and potential appraisal which has a specific report element on training and development need assessment of individual team members.

## Extent, Scope and Participation of In-House Training Programmes Held During the Year

| Program Category | Number of programmes | Training hours | Number of participants |
|---|---|---|---|
| **Credit** - Advanced credit management, basic credit operations, credit management in corporate sector, lease financing, pawning operations, SME credit appraisal, awareness on credit card operations, awareness on SME lending process | 38 | 819 | 1,776 |
| **General Banking** - Awareness programme for support staff, productivity enhancement in a competitive environment, branch productivity work shop, labour law and industrial relations, ATM operations-balancing, CRIB operations work shop, awareness programme for legal officers, secured transaction regulatory work shop, share trading facility at BoC | 20 | 164 | 893 |
| **Management** - Risk management, junior management, disciplinary management, outdoor experiential learning, performance and potential appraisal | 20 | 169 | 970 |
| **International Comprehensive Banking System (ICBS)** - ICBS programme for new entrants, Officers' responsibility in ICBS, ICBS for effective branch management, ICBS for Central Back office staff, ICBS for internal audit functions, SLIPS operations | 18 | 266 | 572 |
| **Induction Programmes for New Hires/Promotees** - Banking trainees, secretarial assistants, trainee typists, management trainees, branch manager, senior manager, executive officer | 27 | 545 | 2,381 |
| **Information Technology Application** - Multi channel payment system, leasing operation automation, MS Power point, Electronic Banking, E-mail and Internet | 07 | 76 | 119 |
| **International Trade Operations -** International Trade operations, SWIFT payments, foreign currency deposits and instruments | 03 | 40 | 139 |
| **Marketing and Customer Care -** Managing for results, team building work shop, product awareness and marketing skills, relationship marketing, customer service excellence, motivation and mind set development, leadership at its best | 08 | 288 | 254 |
| **Soft Skills Development** - Personal grooming and business etiquette | 04 | 65 | 226 |

## Training - Exposure

**Employee Training Analysis**

| Employee Category | No of Training Hours | | | | No of Employees Per Year/Gender | | | | Average Hours of Training | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2011 | | 2010 | | 2011 | | 2010 | | 2011 | | 2010 | |
| | M | F | M | F | M | F | M | F | M | F | M | F |
| Corporate Management | **606** | **1,941** | 832 | 1,664 | **35** | **28** | 48 | 24 | **20** | **14** | 22 | 13 |
| Executive Management | **1,864** | **1,454** | 2,008 | 3,360 | **65** | **53** | 70 | 86 | **13** | **12** | 16 | 12 |
| Executive Officers | **68,681** | **27,780** | 68,000 | 54,409 | **1,511** | **29,301** | 1,496 | 2,725 | **17** | **12** | 19 | 10 |
| Staff Assistants | **29,854** | **65,338** | 5,879 | 78,902 | **22,300** | **1,262** | 2,680 | 2,762 | **10** | **7** | 11 | 9 |
| Banking Trainees | **14,123** | **32,191** | 17,128 | 43,165 | **2,730** | **2,380** | 3,292 | 3,586 | **19** | **13** | 20 | 12 |

| Year | No. of Training Programmes | | | Cost |
|---|---|---|---|---|
| | In-house | Overseas | Local | Rs Million |
| **2011** | **314** | **112** | **311** | **156** |
| 2010 | 276 | 137 | 315 | 146 |

## Work-Life Balance

### Taking a Break from Monotony

We own a string of Holiday homes, Pilgrims' Rests and lodges at Anuradapura, Kataragama and the hill country. These properties are managed by BOC Holiday Homes (Private) Limited, a fully owned subsidiary. Bookings are handled by the Bank's Welfare Department. Employees and their families are given priority in bookings and offered concessionary tariff in both accommodation and meals.

These properties have become very popular with the employees and as a result of multiple applications, bookings in most of the locations, especially in weekends and during school vacation have been by drawing lots. A total number of 2,418 employees and their family members used these facilities during the year.

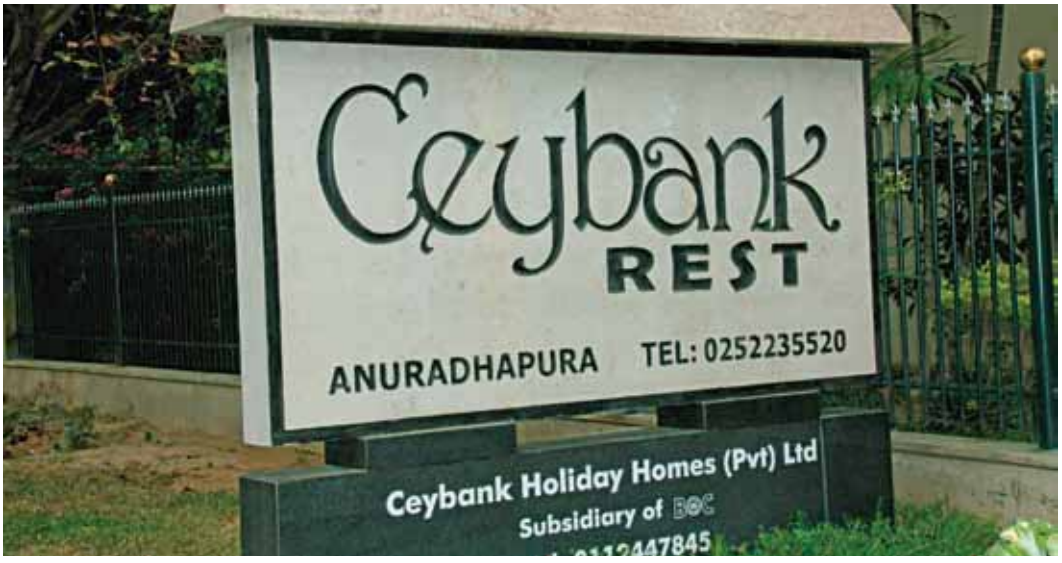
The Bank commenced adding a new wing with 20 rooms at Anuradapura making it one of the best affordable pilgrims' rests in this sacred town. This facility is expected to be ready for occupation by 2012.

Construction work is in progress for another rest at Nuwaraeliya.

A new holiday home at Giritale, Polonnaruwa is in the pipeline. Necessary land overlooking picturesque Giritale wewa has already been identified,

Following facilities are maintained at present.

| Name and Location | Number of Rooms | Maximum Occupancy |
|---|---|---|
| Ceybank Rest, Anuradapura | 20 | 52 |
| Ceybank Rest, Kataragama | 26 plus 6 Bus halls | 126 |
| Ceybank Rest, Nuwara-eliya | 14 | 47 |
| Upper/Lower Glencairn Bungalow, Dickoya | 10 | 23 |
| Holiday Bungalow, Hanthana | 04 | 15 |
| Holiday Home, Bandarawela | 04 | 10 |
| Holiday Home, Haputale | 03 | 7 |
| Holiday Home, Nuwara-eliya | 04 | 12 |
| Holiday Home, Lindula | 04 | 10 |
| Holiday Home, Jaffna | 04 | 08 |




**In as much as we respect and uphold human rights, there were instances of grievances by team members.** 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.

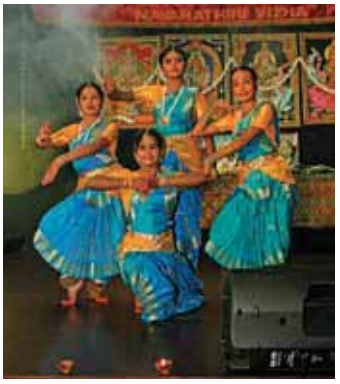
## Health Care, Work-Place Safety and Sports Facilities

| |
|---|
| An in-house medical officer is available at Head office building daily from 3.00pm onwards for consultation and medical assistance of team members. |
| 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 house 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. |
| 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. |
| The Bank's all-island sports meet in this year was held at Duraiappah Stadium, Jaffna with the participation of circa 450 sportsmen and women. |

## Cultural and Religious Diversity

We encourage our team to bond themselves in religious groupings and cultural activity. All major religious denominations have formed religious associations and engage in religious activities and ceremonies. They include, Pirith ceremonies and Sil campaigns, Christmas carols and Navarathri pooja, and Ramzan fast-breaking- Ifthar ceremony.

Two literary Associations are active within the Bank. The Sinhala Literary Association runs a library/reading room, regularly conducts interactive sessions with reputed artists and writers and holds an annual literary competition for employees as well as their children. The English Literary Association conducts similar programmes and a spellmaster contest which received enormous response from the team.



## Human Rights

In as much as we respect and uphold human rights, there were instances of grievances by team members. 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.

## Summary of Reported Human Rights Grievances

| Grievance level | Male | Female | Total |
|---|---|---|---|
| Total number of human rights grievances reported in 2011 | 11 | 05 | 16 |
| Total number of resolved grievances in 2011 | 03 | 03 | 06 |
| Total number of grievances brought forward from 2010 and resolved during the year | 03 | - | 03 |

# Leaps and Bounds
## Economics of sustainability

### Economic Performance

Over the years, we have been improving our economic performance, measured by value addition and value distribution among our stakeholders.

Our employee compensation has more or less remained at same levels between the two years. Dividends and taxes paid to the government is over Rs 10 billion.

### Economic Value Addition

Total return on invested capital increased by 14% yoy. Net Economic Value addition of Rs 8.4 billion reflects a yield of 30%, a significant improvement from the 16% recorded in 2010.

### 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**

| | 2011 Rs.Million | % | 2010 Rs.Million | % |
|---|---|---|---|---|
| **Invested Capital** | | | | |
| Average shareholders' funds | **34,147** | | 26,515 | |
| Revaluation reserves | **(4,613)** | | (125) | |
| Bonus shares issued in 2006 | **(1,400)** | | (1,400) | |
| | **28,134** | **100** | 24,990 | 100 |
| **Return on Invested Capital** | | | | |
| Profit after taxation as reported | **11,521** | | 6,365 | |
| Depreciaton attributable to the revaluation surplus | **(461)** | | (19) | |
| Total return on invested capital | **11,060** | **39** | 6,346 | 25 |
| Opportunity cost of invested capital* | **(2,619)** | **9** | (2,232) | 9 |
| **Economic Value Added** | **8,441** | **30** | **4,114** | **16** |
| *Weighted average 12 months treasury bill rate | **9.31%** | | 8.93% | |

## Sources and Distribution of Income

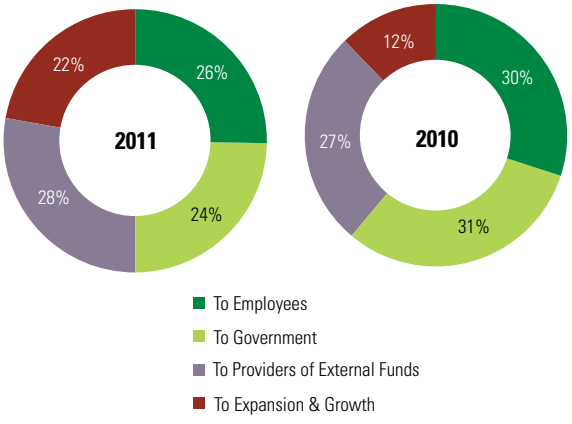
| For the Year Ended 31 December | 2011 Rs. Million | 2010 Rs. Million | 2009 Rs. Million | 2008 Rs. Million | 2007 Rs. Million |
|---|---|---|---|---|---|
| **Sources of Income** | | | | | |
| Interest income | **60,745** | 50,843 | 53,077 | 49,684 | 42,286 |
| Foreign exchange profit | **1,746** | 409 | 1,567 | 2,886 | 1,179 |
| Fee & commission income | **7,142** | 6,013 | 4,255 | 4,084 | 3,099 |
| Investment income | **(557)** | 3,575 | 2,309 | 981 | 1,624 |
| Other income | **1,377** | 1,150 | 753 | 946 | 687 |
| | **70,453** | **61,990** | **61,961** | **58,581** | **48,875** |
| **Distribution of Income** | | | | | |
| To Depositors & other lenders | **36,229** | 31,200 | 38,267 | 35,989 | 29,453 |
| To Suppliers and service providers | **6,125** | 5,393 | 4,799 | 4,487 | 3,578 |
| To Employees | **10,365** | 10,310 | 10,517 | 9,273 | 8,769 |
| To Governments | | | | | |
| - As dividends | **3,846** | 3,096 | 1,346 | 846 | 846 |
| - As taxation (Including income tax, VAT on financial services) | **6,115** | 7,640 | 4,216 | 3,612 | 3,370 |
| **Retained by the Bank** | | | | | |
| - Reserves | **7,675** | 3,269 | 1,738 | 2,715 | 1,997 |
| - Depreciation/ amortisation | **913** | 842 | 873 | 754 | 760 |
| - Provision for loan loss (Net) | **(426)** | 192 | 302 | 775 | (75) |
| Reversal of fall in value of investments | **(815)** | | | | |
| - Deferred tax | **426** | 48 | (97) | 130 | 177 |
| | **70,453** | **61,990** | **61,961** | **58,581** | **48,875** |

# Sustainability Report

## Value Addition

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

| | 2011 | | 2010 | |
|---|---|---|---|---|
| | Rs. Millon | % | Rs. Millon | % |
| **Value Added** | | | | |
| Income earned by Providing banking services | **71,926** | | 59,783 | |
| Cost of services | **(31,023)** | | (27,461) | |
| Value added by banking services | **40,903** | | 32,322 | |
| Non - banking income | **(557)** | | 3,575 | |
| Provision for bad debts | **(434)** | | (1,560) | |
| Provision for fall in value of investments in related companies | **815** | | | |
| Value addition | **40,727** | | **34,337** | |
| **Value Allocation** | | | | |
| **To Employees (A)** | | | | |
| Salaries, wages & other benefits | **10,365** | **25.5** | 10,310 | 30.0 |
| **To Government (B)** | | | | |
| Dividends paid to Government of Sri Lanka | **3,846** | **9.4** | 3,096 | 9.0 |
| Income tax | **3,599** | | 3,639 | |
| Value added tax | **2,516** | | 4,001 | |
| | **6,115** | **15.0** | 7,640 | 22.3 |
| | **9,961** | **24.4** | 10,736 | 31.3 |
| **To Providers of External Funds (C)** | | | | |
| Interest on refinance & other borrowings | **7,609** | | 6,178 | |
| Interest on debentures | **3,779** | | 2,954 | |
| | **11,388** | **28.0** | 9,132 | 26.6 |
| **To Expansion & Growth (D)** | | | | |
| Retained profit | **7,674** | | 3,269 | |
| Depreciation & amortisation | **913** | | 842 | |
| Deferred taxation | **426** | | 48 | |
| | **9,013** | **22.1** | 4,159 | 12.1 |
| | **40,727** | **100.0** | **34,337** | **100.0** |
| **Value Allocation** | | | | |
| | | | **2011** | **2010** |
| To Employees | **A** | | 25.5% | 30.0% |
| To Government | **B** | | 24.4% | 31.3% |
| To Providers of external funds | **C** | | 28.0% | 26.6% |
| To Expansion & growth | **D** | | 22.1% | 12.1% |



# Caring for the fragile planet
# Environmental focus

**In this segment, focus is on how best we care for the environment in which we operate. The discussion covers our material consumption, carbon footprint, waste re-cycling processes and energy saving initiatives in place, how we measure and respond to our customer operations in terms of environmental impacts, our green investment volume and partnerships with environmental activism.**

**"You are not Atlas carrying the world on your shoulder. It is good to know that the planet is carrying you."**

*-Vandana Shiva- Indian physicist and Alternative Nobel prize winning environmental activist*

## Our Material Consumption

We are concerned about our consumption level. Such concern leads us to explore possible energy and fuel saving initiatives and re-cycling processes. Our point of view is that we should not be a clumsy burden on our environment. The re-cycling processes and energy saving initiatives shows that even a little bit of imagination can go a long way to make this planet a better place to live.

On the other hand, a key stakeholder segment, our customers, have substantial impacts on the environment. Their activities, more particularly in Industry and Agriculture segments has a level of environmental impact. We are creating awareness, having interaction with them and introducing environment management frame work which would usher a balance between environment and development, a perfect harmony.

## Our Consumption Volumes

| Resource/Consumption ratio | 2011 | 2010 |
|---|---|---|
| **Electricity** | | |
| Electricity consumption (Mwh) | **16,571** | 16,208 |
| Consumption rate on average assets | **2.15%** | 2.6% |
| Consumption per employee (Mwh) | **1.78** | 1.73 |
| **Water** | | |
| Water usage (litre) | **261,115** | 271,430 |
| Usage rate on average assets | **33.72%** | 43.3% |
| Usage per employee | **28.53** | 29.04 |
| **Fuel** | | |
| Fuel consumption (litres) on business travel | **932,242** | 799,837 |
| Fuel usage as a rate on average assets | **120.25%** | 127.6% |
| Fuel usage per employee (liters) | **100.42** | 85.56 |

## Our energy footprint

- Fuel - 4,038 Giga joules
- Electricity - 59,922 Giga joules

## Waste Re-cycling Initiatives

### Waste paper

A recycler collects the entire waste paper at Head office and the branch network. Volume of paper waste disposed during the year was 220,242 kg. This initiative has saved;

- 3,744 trees
- 880,968 kwh of electricity
- 386,524.71 litres of oil
- 660,726 m3 of land fill
- 6,999,290.76 litres of water
- 220 carbon credit

### Electronic (IT) Waste

Discarded electronic waste consisting of 100 nos each in computer monitors, central processing units and printers was disposed 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 CO2 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 would minimise use of vehicles. |
| Branches have been given targets to reduce electricity/fuel consumption by 5-10% from the present levels |

### BOC Model Village Concept

**An Innovative Experiment in Agro-Ecology**

World over, food security is becoming a huge question mark for the future. Even now, some parts in Eastern Africa are experiencing the calamity. The issue gets tangled, in the backdrop of bulging populations, unpredictable climate change that disrupts and dissipates agricultural societies, resulting in an uncontrollable migration towards already congested mega cities teeming with a plethora of problems. Food prices continue to increase steadily since 2010. Increasing oil prices are expected to drive the prices even higher. Expanding population, higher incomes, slower crop-yield would collectively contribute to food scarcity and higher prices.

Food production at domestic level is the only viable strategy to meet possible food insecurity in the country. This was the reasoning behind the government's ambitious plan of developing 1 million home-gardens across the country at 100 in each Grama Seva Niladhari division which is the village level administration unit.

Our model village initiative complements the government's strategy of domestic food production and the action plan.

What we look at is to;

- Create a village based, replicable and integrated **agro-ecological** model aimed at sustainable development utilising local resources
- Develop agriculture and livestock value chains in the selected villages
- Facilitate financial and organisational empowerment of the village community
- Increase productivity standards at village level and ensure health and nutrition of farm families

We have selected a village from Anuradhapura dry-zone area for the pilot project where most people suffered during three decades of ethnic conflict as the victims of so called boundary villages. Northern and North-Eastern half of this district which is not yet fed by Mahaweli waters is highly susceptible to adverse climatic conditions and beset with water scarcity and high crop diversity.

**The Model**

The villages would be modeled in a manner that each house-hold scales up agro-ecological practices that re-orient agricultural systems towards productivity and sustainability. Family-based agriculture would be uplifted by investing in knowledge enhancement, partnership building, empowering women, crop integration, organic farming, market linkages and commercial farming. BoC would buy in and liaise with relevant Ministries and departments at Central and Provincial government level. This in essence is a "Back to Nature" initiative.

### Action Plan

- Capacity building at operational level
- Team building with partner agencies
- Creation of farmer groups/ associations with majority participation of women
- Need assessment based on demographical and ecological background of the village
- Assessing social and agricultural infrastructure needs (Water solutions, community centres, pre-schools etc)
- Farm planning with individual house-holds in terms of capacity, seed and planting materials, technology, water, marketing and finances
- Strengthening the services sector as a supporting arm
- Monitoring and follow-up

**Village Empowerment**

- Grass Root Associations
- Capacity Building
- Farm Planning
- Financial Support
- Technological Inputs
- Related Infrastructure
- Market Linkages
- Continuous Monitoring

A case in focus

# Doramadalawa

Doramadalawa is a typical rural community off the beaten track, located 3 kilometers away from the A9 road, just 4 kilometers from Mihintale town. It is said to be one of the oldest villages in Sri Lanka, tracing its history beyond King Pandukhabaya's reign circa third century B.C. Historical chronicles say that the young prince spent his early childhood in this village that now consists of 6 hamlets populated by 240 families.

It was aptly selected by the Bank to initiate the first model village with the following objectives

- Develop a viable strategy to face emerging food insecurity
- Financial and organisational empowerment of village farming families mostly women to develop sustainable and commercially viable agro-ecological farming systems
- Develop agriculture, dairy and livestock related value chains in the selected villages
- Develop a village based replicable integrated agro-ecological farming model for sustainable development
- Increase the productivity standards at the village level and thereby increasing the contribution to the national food production
- Promote import substitution and combat inflation at the village level
- Showcase BoC commitment for Corporate Social Responsibility (CSR) whilst attracting large masses to the Bank for financial services in the selected villages

As the first step, the Bank carried out a baseline survey covering all the house-holds. One of the key issues that continuously cropped up was the scarce water resources. Unlike other villages in North-central province, the village does not have a traditional village irrigation tank and the community relies on uncertain rains for cultivation. As a result, they were trapped into a seasonal poverty due to severe scarcity of water during dry seasons. The only alternative was a network of agricultural wells. Here the Bank teamed up with Water resources Board and with their help identified 40 plus sites to dig wells. 38 of them were successful and the Bank extended finance for well construction and pipelines.

Villages in North-central province are known to be heavy agro-chemical and chemical fertilizer consumers. They are the victims of waterborne deceases and groundwater pollution. Doramadalawa was no exception. Many of the villagers have lost their lives due to kidney failures. Weaning them away from agro-chemicals and protecting them from life threatening health hazards was a challenge.

With the water issue resolved, the focus was on organic farming, efficient use of water and developing healthy home gardening to cater to family nutrition and avoid market dependency for food.

The bank needed an in-house team to drive this initiative. A retired Deputy Director of Agriculture was engaged to manage the project as the resident consultant while a Development officer at the Bank was assigned as the Bank's liaison. A project office was set up with the participation of village families.

When the model village was inaugurated on 06th May 2011, a mini bank with an Automatic Teller machine and an array of banking facilities was in place.

The bank started mobilising the villagers with a view to changing the mindset and educating them to organise sustainable organic family farming. Solidarity groups were formed. Organic farming was introduced and a home

gardening contest set in place. Villagers were taken on a field visit to Gannoruwa model home-gardening facility to get firsthand knowledge on organic fertilizer based home gardening. Back at the village, almost all households commenced home gardens in whatever little space they had. As sustainable livelihoods of farming families depend very much on marketing linkages, processing and diversification Doramadalawa bank branch started financing and empowering of the entire value chain in the village ranging from family farm producers, agro processing, marketing, transport and other services.

Now, when one visits the village there are innovations and improvisations, a whole array of vegetable beds, compost heaps, fruit trees and even medicinal plants in some. Almost all started commercial crops (Maize and onions) to augment their cash flows. Fallow fields of yesterday are now gleaming with greenery. The bank promoted mixed farming (farming combined with livestock) where the two activities can complement each other.

Doramadalawa temple priest who is fully aware of the entire development of this model village stated his views of the rapid economic, social and cultural transformation.

"I can see more and more people coming to the Bank for transactions and regularly vesting the temple to offer meals (Dane). I am happy to see that many of the farms that were full of weeds before are now turning into very green family farms with varieties of vegetables, fruits and grains. Young people who were idling before are now mostly engaged either in farming or other business and marketing activities. The entire village is very peaceful now with strong unity collective participation in religious and cultural activities"

Divimansala community centre, which will house an IT centre, Agricultural information disseminating unit and an agriculture extension service support arm is building family enterprises and scaling up the family economy. This would be expanded to cover vocational training to the village youth as well. It would be the centre point in this initiative to demonstrate ideal agro-ecological farming and sustainable development to be linked with neighboring villages

Credit facilities granted at Doramandalawa Mini bank within a period of 07 months

| Type of Facility | No of loans | Amount Disbursed (Rs) |
|---|---|---|
| Agricultural wells/water pumps | 36 | 7,571,000 |
| Irrigation systems | 06 | 325,000 |
| Dairy units | 07 | 1,330,000 |
| Home gardening | 11 | 635,000 |
| Perennial crops | 02 | 348,000 |
| Commercial purposes | 07 | 1,240,000 |
| Poultry farming | 03 | 700,000 |
| Self employment units | 11 | 1,525,000 |
| Four wheel tractors | 01 | 1,274,000 |
| Two wheel tractors | 01 | 240,000 |
| Short term crop finance | 46 | 2,407,550 |
| Lease finance | 09 | 15,127,157 |

# Creating relationships with environmental activism

Partnering with like minded individuals, groups and entities dedicated towards environmental protection is a key element in our sustainability focus. It is a two-way process. They have the organisational set up, outreach capacity, skills and know-how. We, the funds to drive these initiatives and the delivery logistics-our branch network. It has been a rewarding partnership, the winner of course being the environment itself.

## Rividina Arunella

BoC continued with its sponsorship of Rividina Arunella, the highly popular Sunday morning feature programme telecast over national Rupavahini channel. This programme that has won many accolades for its coverage as well as presentation focuses on creating public awareness on sustainable agriculture that it 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 in to health and nutrition, good food and food security, women empowerment and poverty alleviation, a whole array of innovations imaginations borne out of necessity, potted cultivations and hanging gardens, leafy vegetable cylinders and discarded tyre vegetable beds.

## 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 island wide 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. 400 plus schools including some in the North-East participated In the competition. First place this year was won by Jayanthipura Junior school, a little-known minion in the Polonnaruwa district while Royal College, Colombo secured the second place with their innovations, some going beyond the school premises.

The Bank sponsored the programme for the third year in succession funding national, provincial and district level awards.

## Green Investments

Our credit delivery policy of searching for environmental-friendly, innovative projects has paid back dividends. Going beyond traditional business finance, we have gradually moved in to climate finance and green investments with a loan book of Rs one billion.

| Initiative | Funding Commitment In Rs. Million |
|---|---|
| **Senok Wind Energy (Pvt) Limited** is on to a Wind power generation project with a total power generation of 15.5 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 |
| **Eco-friendly Power Developers (Pvt) Limited** plans to set in motion a hydro power plant of 1.5 MW at Denawaka Ganga, Kadurugaldola in the Ratnapura district. Environmental impact assessment has been completed and construction of a weir across Denawaka ganga, penstock, head race channel and power plant has received environmental clearance from the Central Environmental Authority. | 150 |
| **Dutch Bay Resorts**<br>An up market eco-friendly leisure facility planned under Kalpitiya integrated Tourism Development plan. This location with both lagoon and sea frontage with a total extent of 184 acres will house villas, lagoon homes, mangrove chalets, a golf course and shopping/art galleries blending with the surrounding lagoons, mangrove swamp, beach and salt pans. | 120 |
| **Siddhalepa Ayurveda Resorts**<br>A renowned Ayurveda resort at Wadduwa which offers holistic Ayurveda wellness (Herbal baths, Herbal oil massage, traditional Ayurvedic treatment including Panchakarma based on age-old Ayurvedic concepts and concoctions. The facility was granted for refurbishment. | 60 |
| **Hujay International Multiflora (Pvt) Limited**<br>A floriculture project at Meepilimana, Nuwaraeliya in Central hills focusing on foliage and cut flowers for the export market. The project is located on arable agricultural lands. | 35 |

## Environmental Impact Management in Lending

### Initiatives to Mitigate Environmental Impact in Customer Business Operations

We have introduced an environmental management frame-work for SME projects which will be replicated and rolled over across the total loan portfolio. This is a phased out approach, running through the project life-cycle.

| Level of compliance | Related Compliance Factors and Action |
|---|---|
| Checking against exclusionary list | Industries/projects that are off-limits under project parameters are taken off project-proponent submits a completed questionnaire |
| Initial screening | This would cover the following aspects.<br>• **Surrounding environment:** Whether it includes wetlands, built up areas, scrub forest, water courses, lagoons, mangrove, coastal scrub etc<br>• **Land clearing plan:** Whether trees are to be cut and the extent of intended clearing<br>• **Waste generation:** Gases, waste water, solid waste and hazardous waste quantities and<br>• **Planned waste disposal method** |
| Classification of projects in terms of environmental impact | All projects are classified in to 3 broad categories measured across noise, air emission, waste water, solid waste and hazardous waste.<br>• EI - High pollution potential<br>• EII - Moderate pollution potential<br>• EIII - Low pollution potential |
| Loan Appraisal | • Environmental assessment and compliance with licensing process and treatment technology to comply with set standards<br>• Ticking against construction/operational impacts |
| Loan sanction | • Review with on-site verification<br>• Initiate remedial measures |
| Monitoring | • Submission of progress reports<br>• Annual environmental audit by an independent auditor |

## Factors Considered in Environmental Evaluation Phase

- Soil condition and soil erosion potential
- Ground water type and depth of the water table
- Storm water collection and disposal
- Evidence of water stagnation due to borrowing
- Conflict with existing land use zoning
- Loss of sensitive habitats and species
- Probable conflicts with natural resources management
- Exposure to toxic chemicals, spills or hazardous waste during operations and transport
- Exposure to noise level/ground vibration
- Trigger changes in the existing environment

Tel : +94-11-2421878-79-70
+94-11-2387002-03
Fax : +94-11-2336064
E-mail : bdopartners@bdo.lk
Website : www.bdo.lk

Chartered Accountants
"Charter House"
65/2, Sir Chittampalam A Gardiner Mawatha
Colombo 02
Sri Lanka

# INDEPENDENT ASSURANCE REPORT TO THE STAKEHOLDERS OF BANK OF CEYLON ON THE SUSTAINABILITY REPORT - 2011

## 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 2011 ("the Report").

- Reasonable assurance on the information on financial performance as specified on pages 142, 143 and 144 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) 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 10th February 2012. 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 142, 143 and 144 of the Report with the audited financial statements of the Bank for the years ended 31st December 2010 and 2011.

### Key Performance Indicators

We reviewed the reliability of the data/information on Key Performance Indicators for the year ended 31st December 2011 based on reviews of:

- the systems used to generate, aggregate and report these information;
- the information reported by the relevant business units to corporate level;
- the information validation processes at corporate and business level;
- the information trends in discussions with management and
- the calculation performed by the Bank on a sample basis through recalculation.

### Other Information

We planned and performed following assurance procedures on other information presented in the Report:

- Inquiring relevant Bank's personnel to understand the process for collection, analysis, aggregation and presentation of information in the Report.
- Reviewing the system used to generate, aggregate and report the information in the Report
- 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 142, 143 and 144 of the Report is properly derived from the audited financial Statements of the Bank for the years ended 31st December 2010 and 2011.
- 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) Sustainability Reporting Guidelines.

BDO Partners

**CHARTERED ACCOUNTANTS**
23rd March 2012
Colombo

BDO Partners, a Sri Lankan Partnership, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

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

# Sustainability Report

## GRI Standard Disclosures Index

| No. | Description | Location/Reference | Page No. |
|---|---|---|---|
| **1** | **Strategy and Analysis** | | |
| 1.1 | Statement from the most senior decision maker of the organisation about the relevance of sustainability to the organisation and its strategy. | Sustainability Report | 104 |
| 1.2 | Description of key impacts, risks and opportunities | Sustainability Report | 106 |
| **2** | **Organisational Profile** | | |
| 2.1 | Name of the organisation | Bank of Ceylon | |
| 2.2 | Primary brands, products, and/or services | Product & Services | |
| 2.3 | Operational structure of the organisation, including main divisions, operating companies, subsidiaries, and joint ventures. | Management Discussion & Analysis | 30 - 55 |
| 2.4 | Location of organisation's headquarters | 'BOC Square', No. 1, Bank of Ceylon Mawatha, Colombo 1 | |
| 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 | 99 - 100 |
| 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 | 30 - 55 |
| 2.8 | Scale of the reporting organisation | Business Highlights | 2-4 |
| 2.9 | Significant changes during the reporting period regarding size, structure, or ownership | Sustainability Report | 98 - 150 |
| 2.10 | Awards received in the reporting period | Sustainability Report | 113 |
| **3** | **Report Parameters** | | |
| 3.1 | Reporting period (e.g., fiscal/calendar year) for information provided | 1st January 2011 to 31st December 2011 | |
| 3.2 | Date of most recent previous Report | December 2010 - Issued in March 2011 | |
| 3.3 | Reporting cycle (annual, biennial, etc.) | Annual | |
| 3.4 | Contact point for questions regarding the report or its contents | Sustainability Report | 99 |
| 3.5 | Defining report content | Sustainability Report | 99 |
| 3.6 | Boundary of the Report | Sustainability Report | 99 |
| 3.7 | State any specific limitations on the scope or boundary of the Report | Sustainability Report | 99 - 100 |
| 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 | 100 |
| 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 | 100 |
| 3.10 | Explanation of the effect of any restatement of information provided in earlier report, and the reasons for such re-statement | Sustainability Report | 100 |
| 3.11 | Significant changes from previous reporting periods in the scope, boundary or measurement methods applied in the Report | Sustainability Report | 100 |
| 3.12 | Table identifying the location of the Standard Disclosures in the Report | Sustainability Report | 152 |
| 3.13 | Policy and current practice with regard to seeking external assurance for the Report | Sustainability Report | 100 |

## GRI Standard Disclosures Index

| No. | Description | Location/Reference | Page No. |
|---|---|---|---|
| **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. | Sustainability Report | 88 |
| 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 | Corporate Governance Report | 65 - 87 |
| 4.4 | Mechanisms for shareholders and employees to provide recommendations or directions to the highest governance body | Corporate Governance Report | 65 - 87 |
| 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 Report | 65 - 87 |
| 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 | Board and Board Sub Committees | 88 - 94 |
| 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 Sub Committees | 88 - 94 |
| 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 Sub Committees | 107<br>88 - 94 |
| 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 Sub Committees | 107<br>88 - 94 |
| 4.11 | Explanation of whether and how the precautionary approach or principle is addressed by the organisation | Sustainability Report | 107 |
| 4.12 | Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organisation subscribes or endorses | Sustainability Report | 115 |
| 4.13 | Memberships in associations (such as industry associations) and/or national/international advocacy organisations in which the organisation | Sustainability Report | 115 |
| 4.14 | List of stakeholder groups engaged by the organisation | Sustainability Report | 101 - 102 |
| 4.15 | Basis for identification and selection of stakeholders with whom to engage | Sustainability Report | 101 - 102 |
| 4.16 | Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group | Sustainability Report | 101 - 102 |
| 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 | 103 |
| **5** | **Management Approach and Performance Indicators Economic** | | |
| 5.1 | Disclosure on management approach to economic aspects | Sustainability Report | 109 - 110 |
| 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 | 142 - 144 |
| 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 | 137 |

## GRI Standard Disclosures Index

| No. | Description | Location/Reference | Page No. |
|---|---|---|---|
| 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 | 136 - 141 |
| 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 | Sustainability Report | 136 - 141 |
| EC8 | Development and impact of infrastructure investments and services provided primarily for public benefit-through commercial, in-kind, or pro bono engagement | Sustainability Report | 127 - 133 |
| EC9 | Understanding and describing significant indirect economic impact, including the extent of impacts | Sustainability Report | 145 |
| | **Environmental** | | |
| 5.2 | Disclosure on management approach to environmental aspects | Sustainability Report | 109 |
| | **Materials** | | |
| EN1 | Materials used by weight or volume | Sustainability Report | 145 |
| 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 | 146 |
| 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 | 146 |
| 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 | |
| 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 on the Biodiversity | |

## GRI Standard Disclosures Index

| No. | Description | Location/Reference | Page No. |
|---|---|---|---|
| 7EN13 | Habitats protected or restored | None | |
| EN14 | Strategies, current actions, and future plans for managing impacts on biodiversity | Sustainability Report | 146 - 150 |
| 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 | Not Reported | |
| EN17 | Other relevant indirect greenhouse gas emissions by weight | Not Reported | |
| EN18 | Initiatives to reduce greenhouse gas emissions and reduction achieved | Not Reported | |
| EN19 | Emissions of ozone-depleting substances by weight | Not Reported | |
| EN20 | Nox, SOx, and other significant air emissions by weight | Not Reported | |
| 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 | Not Reported | |
| 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 | Not Reported | |
| 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 | |
| | **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 member of the workforce | Sustainability Report | 98 - 150 |
| | **Overall** | | |
| EN30 | Total environmental protection expenditure and investments by type | Sustainability Report | 149 |
| | **Social** | | |
| 5.3 | Disclosure on management approach to social aspects | | 109 |
| | **Labour Practices and Decent Work** | | |
| LA1 | Total workforce by employment type, employment contract, and region | Sustainability Report | 135 |
| LA2 | Total number and rate of employee turnover by age group, gender, region | Sustainability Report | 135 |
| LA3 | Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations | Sustainability Report | 134 - 139 |
| LA4 | Percentage of employees covered by collective bargaining agreements | Sustainability Report | 134 - 139 |
| LA5 | Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements | Sustainability Report | 134 - 139 |

## GRI Standard Disclosures Index

| No. | Description | Location/Reference | Page No. |
|---|---|---|---|
| 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 | 134 - 139 |
| 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 | 134 - 139 |
| 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 | 134 - 139 |
| LA11 | Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings | Sustainability Report | 134 - 139 |
| LA12 | Percentage of employees receiving regular performance and career development reviews | Sustainability Report | 134 - 139 |
| 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 | 134 - 139 |
| LA14 | Ratio of basic salary of men to women by employee category | There is no difference in basic salary | |
| | 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 | Not Reported | |
| 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 | 141 |
| 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 | Not Reported | |
| 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 | 107 - 110 |
| 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 | 107 - 110 |
| HR8 | Percentage of security personnel trained in the organisation's policies or procedures concerning aspects of human rights that are relevant to operations | None | |
| 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 | Not reported | |
| HR 11 | Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms | Sustainability Report | 141 |

## GRI Standard Disclosures Index

| No. | Description | Location/Reference | Page No. |
|---|---|---|---|
| | **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 | 146 - 148 |
| 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 | Not reported | |
| 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 | |
| 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 | Not material | |
| | 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 reported | |
| 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 relevant to our operations | |
| PR3 | Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements | Not relevant | |
| 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 | 103 |
| PR6 | Programs 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 | 115 |
| PR9 | Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services | Not material | |

| | | 2002 In Accordance | C | C+ | B | B+ | A | A+ |
|---|---|---|---|---|---|---|---|---|
| Mandatory | Self Declared | | | | | ✓ | | |
| Optional | Third Party Checked | | | Report Externally Assured | | Report Externally Assured | | Report Externally Assured |
| Optional | GRI Checked | | | | | | | |

Fitch Ratings Lanka has upgraded the Bank's national long-term rating to 'AA+(lka)' stable outlook from 'AA(lka)' positive.

With this rating the Bank has come to the top of the domestic commercial banks rating league.

**Financial Reports**


| | |
|---|---|
| Annual Report of the Directors on the State of Affairs of the Bank of Ceylon | 160 |
| Directors' Interest in Contracts | 164 |
| Directors' Statement on Internal Control | 169 |
| Independent Assurance Report | 171 |
| Directors Responsibility for Financial Reporting | 172 |
| Report of the Auditor General | 173 |
| Income Statement | 174 |
| Balance Sheet | 175 |
| Statement of Changes in Equity | 176 |
| Cash Flow Statement | 177 |
| Significant Accounting Policies | 180 |
| Notes to the Financial Statements | 196 |

Foreign Currency Deposits
Gold

# 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 2011, 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. The Directors approved the Financial Statements on 16th March 2012.

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 180.

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**

There was no change to the group structure during the year under review.

**2.4 Vision, Mission and Corporate Conduct**

The Bank's Vision and Mission are given on page 6 and 7 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 15 and 16 deals with the year's performance of the Bank/Group and on the Sri Lankan economy.

The General Manager's Review on pages 17 and 18 provides a detailed description of the operations of the Bank during the year under review.

Management Discussion & Analysis on pages 30 to 55, provide 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 this Report.

**2.6 Branch expansion of the year**

The Bank extended its services through the addition of 30 new extension offices during the period under review. The number of branches were increased by 9. The network was further expanded enhancing customer convenience. The Bank installed 52 ATMs during the year across the island bringing out the total to 402. This number does not include peer bank's ATMs through which customers of Bank of Ceylon can transact.

**2.7 Corporate donations**

Rs. 5.5 million donations were granted during the year. In addition, the Bank has incurred Rs.49.4 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 172 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 2011 is given on page 173 of this Annual Report.

**2.10 Accounting Policies**

The accounting policies adopted in the preparation of Financial Statements are given on pages 180 to 195. There have been no changes in the accounting policies adopted by the Bank during the year under review.

## 3 Future Developments

An overview of the future plans and development of the Bank is presented in the Chairman's Message on pages 15 and 16 and Management Discussion & Analysis on pages 30 to 55 of this Annual Report.

## 4 Gross Income

The main income of the Group is interest income, which comprises 85% of the total income. The gross income of the Group for the year 2011 was Rs.75,055 million as against Rs.66,654 million in comparison to the previous year. The Bank's total income accounted for 95% (2010 - 95%) of total income of the Group.

## 5 Dividends and Reserves

### 5.1 Profit

The Bank recorded a pre-tax profit of Rs.15,546 million in 2011 reflecting an increase of 55%, compared to Rs.10,053 million recorded for the previous year. After deducting Rs.4,025 million (Rs.3,687 million in 2010) for income tax, the profit after tax for the year 2011 amounted to Rs.11,521 million, which is a 81% increase compared to Rs.6,365 million profit after tax reported in 2010.

Details of profit relating to the Bank and Group are given in Table 1.

The pre-tax profit of the Group also increased from Rs.11,075 million to Rs.15,851 million, an increase of 43% in comparison to the previous year. After deducting Rs.4,364 million for income tax (Rs.4,162 million in 2010) the profit after tax for the year of the Group increased to Rs.11,487 million in 2011 from the profit after tax of Rs.6,913 million reported in 2010.

### 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 Rs.3,846 million has been paid by the Bank as dividends for the year. (2010 - Rs.3,096 million)

### 5.3 Reserves

The total reserves of the Group stood at Rs.37,002 million as at 31st December 2011 (2010 - Rs.25,196 million). The Group reserves consist of the following.

| | 2011 Rs.'000 | 2010 Rs.'000 |
|---|---|---|
| Permanent reserve fund | 3,008,000 | 2,777,500 |
| Revaluation reserve | 4,666,054 | 178,692 |
| Primary dealer special risk reserve | 857,304 | 776,683 |
| Exchange translation reserve | 430,347 | 565,745 |
| Investment fund account | 1,570,276 | - |
| Other reserves | 585,547 | 504,437 |
| Retained profits | 25,884,129 | 20,393,029 |
| **Total** | 37,001,657 | 25,196,086 |

## 6 Property, Plant & Equipment

The total capital expenditure incurred by the Group on the acquisition of property, plant & equipment during the year amounted to Rs.1,905 million (2010 - Rs.1,232 million) the details of which are given in Note 31 to Financial Statements on pages 233 of this Annual Report.

Table 1

| | Bank | | Group | |
|---|---|---|---|---|
| | 2011 Rs.'000 | 2010 Rs.'000 | 2011 Rs.'000 | 2010 Rs.'000 |
| Profit for the year after payment of all expenses and providing for depreciation, possible loan losses and contingencies before VAT & tax | 18,061,520 | 14,053,822 | 18,212,321 | 14,989,548 |
| Value added tax on financial services | (2,515,755) | (4,001,253) | (2,569,828) | (4,126,961) |
| Share of profit of Associate companies before tax | - | - | 208,715 | 212,898 |
| Profit before income tax | 15,545,765 | 10,052,569 | 15,851,208 | 11,075,485 |
| Income tax expense | (4,024,970) | (3,687,257) | (4,364,345) | (4,162,289) |
| Profit for the year | 11,520,795 | 6,365,312 | 11,486,863 | 6,913,196 |
| **Appropriations** | | | | |
| Transfers to permanent reserve fund | 230,500 | 127,500 | 230,500 | 127,500 |
| Transfers to primary dealer risk reserve | 80,621 | 248,213 | 80,621 | 248,213 |
| Transfers to investment fund account | 1,484,073 | - | 1,570,276 | - |
| Transfers to other reserves | - | - | 81,110 | - |
| Dividends | 3,846,410 | 3,096,410 | 3,846,410 | 3,096,410 |

**7 Value of Freehold Properties**

The value of freehold properties owned by the Group as at 31st December 2011 is included in Note 31 to Financial Statements at Rs.9,038 million (2010 - Rs.4,242 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 2011 was Rs.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 Debentures**

The Group had issued debentures (both listed and unlisted) amounting to Rs.6,000 million as at 31st December 2011 (2010 - Rs.22,083 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 Note 40 to the Financial Statements on page 248.

**10 Share Information**

The earnings per share and net assets per share of the Group were Rs.2,273 and Rs.8,400 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 98 to 157 under the Sustainability Report.

**12 Directors**

The Board of Directors of the Bank of Ceylon as at 31st December 2011 consists 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 18 and 19 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 subcommittees**

The Board has formed four subcommittees complying with the aforesaid Banking Act Direction No.11 of 2007 to ensure oversight control over affairs of the Bank. The subcommittee composition is given on page 88 of this Annual Report.

**12.3 Directors' meetings**

Attendance of Directors at Board and subcommittee meetings are given on page 95 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 164 to 168 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) has invested US$ 349,000 in debentures issued by the Bank during the year 2008 and appears in the Debenture Register as at 31st December 2011. 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 2011 are given on page 197.

## 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 56 to 64 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 89 and 90 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 169 and 170 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 171 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. They are described in the Corporate Governance Report appearing on pages 65 to 87 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 98 to 157 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 64 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 98 to 157.

## 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 disclosure.

## 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 2012*
*Colombo*

# Directors' Interest in Contracts

Related party disclosures as required by the Sri Lanka Accounting Standard No.30 (Revised 2005) on 'Related Party Disclosures' are detailed in Note 49 to the Financial Statements on pages 259 to 263. 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 31.12.11 '000* | Balance/Amount outstanding as at 31.12.10 '000* | Security |
|---|---|---|---|---|---|---|
| **Dr. Gamini Wickramasinghe** | | | | | | |
| Bank of Ceylon (UK) Limited | Chairman | Current account (Nostro account) | | US$ 471 (Rs.53,674) | US$ 138 (Rs.15,576) | |
| | | | | EURO 445 (Rs.65,593) | EURO 17,801 (Rs.2,639,955) | |
| | | | | GBP 467 (Rs.81,979) | GBP 427 (Rs.73,619) | |
| | | Placements | | US$ 8,000 (Rs.911,240) | - | |
| | | | | EURO 7,500 (Rs.1,105,875) | EURO 40,000 (Rs.5,932,068) | |
| | | | | GBP 28,300 (Rs.4,965,821) | GBP 48,749 (Rs.8,395,450) | |
| | | Other payable | | 247,429 | 181,675 | |
| Ceybank Holiday Homes (Private) Limited | Chairman | Current account | | 2,498 | 3,711 | |
| | | Time deposit | | 81 | 78 | |
| | | Other payable | | 1,496 | 22 | |
| | | Other receivable | | 795 | 700 | |
| Koladeniya Hydropower (Private) Limited | Chairman | Current account | | 13,496 | - | |
| | | Letter of credit | | 5,822 | - | |
| Property Development PLC | Chairman | Current account | | 16,614 | 4,502 | |
| | | Time deposit | | 907,000 | 755,400 | |
| | | Repo balance | | 180,400 | 454,200 | |
| | | Rent paid in advance | | 235,179 | 235,179 | |
| | | Deposit for fuel | | 907 | 907 | |
| | | Letter of credit | 5,000 | 2,103 | 86,815 | Related shipping documents |
| | | Letter of guarantee | | 3,300 | 3,000 | |
| Mireka Capital Land (Private) Limited | Director | Current account | | 2,562 | 1,533 | |
| | | Current account | | US$ 2 (RS.229) | US$ 2 (Rs.174) | |
| | | Term loan | US$ 24,000 (Rs.2,733,720) | US$ 22,700 (Rs.2,585,644) | US$ 22,700 (Rs.2,531,163) | Clean basis &Time deposits placed by Shing Kwan Investment (Singapore) Pte Limited |
| | | Letter of guarantee | | 1,256 | - | 100% cash margin |

*Currencies in thousands

| Company | Relationship | Nature of Transactions | Limit '000* | Balance/Amount outstanding as at 31.12.11 '000* | Balance/Amount outstanding as at 31.12.10 '000* | Security |
|---|---|---|---|---|---|---|
| The Lanka Hospitals Corporation PLC | Director | Savings account | | US$ 65 (Rs.7,376) | - | |
| | | Current account | | 43,927 | 68 | |
| | | Current account | | - | US$ 2 (Rs.172) | |
| | | Time deposit | | 60,000 | - | |
| | | Time deposit | | US$ 305 (Rs.34,768) | - | |
| | | Repo balance | | 100,000 | - | |
| Informatics Group of Companies** | Chairman | Savings account | | 9 | 8 | |
| | | Savings account | | US$ 11 (Rs.1,290) | US$ 3 (Rs.327) | |
| | | | | GBP 1 (Rs.184) | - | |
| | | Current account | | 2,619 | 927 | |
| | | Time deposit | | US$ 545 (Rs.62,130) | US$ 474 (Rs.52,905) | |
| | | | | GBP 98 (Rs.17,279) | - | |
| | | Overdraft | 66,800 | 54,938 | 46,663 | NRFC deposit |
| | | Term loan | | - | 2,883 | |
| | | Letter of guarantee | 9,600 | 7,883 | 4,531 | Residential property |
| | | Procurement transaction value payable (excluding taxes) | | - | 55,084 | |
| **Mr. S.R. Attygalle** | | | | | | |
| Sri Lanka Ports Authority | Director | Savings account | | - | 188,166 | |
| | | Savings account | | US$ 1,823 (Rs.207,700) | US$ 381 (Rs.42,557) | |
| | | Current account | | 897,985 | 591,113 | |
| | | Time deposit | | 224,643 | 24,636 | |
| | | Time deposit | | US$ 46,346 (Rs.5,279,004) | US$ 23,107 (Rs.2,576,560) | |
| | | Term loan | US$ 62,512 (Rs.7,120,460) | US$ 54,698 (Rs.6,230,402) | US$ 31,256 (Rs.3,485,215) | Negative pledge over the assets imported |
| | | Repo balance | | 24,500 | 941,000 | |
| | | Letter of credit | 750,000 | 818,847 | 255,417 | BOE, shipping documents, underlying goods under Bank's constructive control |

*Currencies in thousands

** 1. Visual Computing Systems (Private) Limited (A company belonging to Informatics Group) has been appointed to provide maintenance support on Tandem server.

2. Bank has called for quotations from Informatics (Private) Limited/ Infrasoft Technologies Limited and 3i Infotech Limited/ 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.

# Directors' Interest in Contracts

| Company | Relationship | Nature of Transactions | Limit '000* | Balance/Amount outstanding as at 31.12.11 '000* | Balance/Amount outstanding as at 31.12.10 '000* | Security |
|---|---|---|---|---|---|---|
| **Mr. Raju Sivaraman** | | | | | | |
| Ceylease Financial Services Limited | Chairman | Current account | | 11,487 | 27,111 | |
| | | Overdraft | 50,000 | - | - | Clean |
| | | Series of loan | 450,000 | - | 26,689 | Lease receivable/hire purchase receivable backed by Power of Attorney |
| | | Bridging finance | 100,000 | - | - | |
| | | Money market loan | 350,000 | 340,000 | 210,000 | Clean |
| | | Letter of credit | 50,000 | - | - | Bills of exchange & shipping documents |
| | | Letter of guarantee | 2,500 | 2,500 | - | Clean |
| | | Repo balance | | 10,000 | 27,000 | |
| | | Other payable | | 6,029 | 1,577 | |
| Arch - Triad Consultants (Private) Limited** | Managing Director | Consultancy service value | | - | 980 | |
| Milco (Private) Limited | Director | Savings account | | US$ 2 (Rs.204) | - | |
| | | Current account | | 11,310 | 25,498 | |
| | | Time deposit | | 315,431 | 315,431 | |
| | | Time deposit | | US$ 4,096 (RS.466,543) | - | |
| | | Overdraft | 100,000 | 39,538 | - | Stocks & book debts |
| | | Term loan | 700,000 | 642,651 | - | Fixed deposits |
| | | Lease | | - | 1,465 | |
| Merchant Credit of Sri Lanka Limited | Director | Savings account | | - | 86 | |
| | | Current account | | 37,519 | 50,875 | |
| | | Time deposit | | 15 | 15 | |
| | | Series of loan | 250,000 | - | - | Lease receivables backed by Power of Attorney |
| | | Overdraft | 50,000 | 8 | - | |
| | | Money market loan | 50,000 | 50,000 | 50,000 | |
| | | Bridging finance | 100,000 | - | - | |
| | | Letter of credit | 10,000 | - | - | |
| | | Letter of guarantee | 4,000 | - | - | |
| **Ms. Nalini Abeywardene** | | | | | | |
| Hotels Colombo (1963) Limited | Director | Current account | | 16,880 | 2,589 | |
| | | Time deposit | | 90,386 | 79,610 | |
| | | Other receivable | | 23,601 | 19,566 | |

*Currencies in thousands

** Arch-Triad Consultants (Private) Limited has been appointed as the interior design consultants for interior/exterior refurbishment of Super Grade Branch, Nugegoda and as the consultants for project of constructing a new building for Bank of Ceylon at Nelliady.

| Company | Relationship | Nature of Transactions | Limit '000* | Balance/Amount outstanding as at 31.12.11 '000* | Balance/Amount outstanding as at 31.12.10 '000* | Security |
|---|---|---|---|---|---|---|
| BOC Travels (Private) Limited | Director | Current account | | 35,410 | 27,558 | |
| | | Time deposit | | 50,000 | 40,000 | |
| | | Debenture | | 10,000 | 10,000 | |
| | | Overdraft | 7,600 | - | - | Book debts |
| | | Letter of guarantee | 50,000 | 50,000 | 50,000 | Time deposits & debentures |
| | | Other receivable | | 1,240 | - | |
| | | Other payable | | 619 | 794 | |
| **Mr. Chandrasiri De Silva** | | | | | | |
| BOC Travels (Private) Limited | Chairman | Current account | | 35,410 | 27,558 | |
| | | Time deposit | | 50,000 | 40,000 | |
| | | Debenture | | 10,000 | 10,000 | |
| | | Overdraft | 7,600 | - | - | Book debts |
| | | Letter of guarantee | 50,000 | 50,000 | 50,000 | Time deposits & debentures |
| | | Other receivable | | 1,240 | - | |
| | | Other payable | | 619 | 794 | |
| Hotels Colombo (1963) Limited | Director | Current account | | 16,880 | 2,589 | |
| | | Time deposit | | 90,386 | 79,610 | |
| | | Other receivable | | 23,601 | 19,566 | |
| **Mr. K.L. Hewage** | | | | | | |
| Ceybank Asset Management Limited | Chairman | Current account | | 1,799 | 13,486 | |
| | | Repo balance | | 17,400 | 8,200 | |
| | | Investment in units** | | 1,513,004 | 1,309,174 | |
| **Mr. V. Kanagasabapathy** | | | | | | |
| Merchant Bank of Sri Lanka PLC | Director | Current account | | 58,765 | 35,725 | |
| | | Debenture | | 1,083 | 1,083 | |
| | | Overdraft | 110,000 | 46,384 | 25,916 | Lease receivable backed by Power of Attorney |
| | | Series of loan | 600,000 | 595,320 | 81,647 | |
| | | Money market loan | 100,000 | 40,000 | - | |
| | | Repo balance | | - | 10,000 | |
| | | Letter of guarantee | 3,500 | - | - | |
| | | Grant on immediate Credit on cheque limit | 1,000 | - | - | |
| | | Intra day overdraft | 5,000 | - | - | |
| | | Investment in debts | | 140,000 | - | |
| | | Other payable | | 10,625 | - | |

*Currencies in thousands

** Ceybank Asset Management Limited is the managing company of the above unit trusts.

# Directors' Interest in Contracts

| Company | Relationship | Nature of Transactions | Limit '000* | Balance/Amount outstanding as at 31.12.11 '000* | Balance/Amount outstanding as at 31.12.10 '000* | Security |
|---|---|---|---|---|---|---|
| Hotel Developers Lanka PLC | Director | Savings account | | US$ 3 (Rs.359) | US$ 3 (Rs.349) | |
| | | Savings account | | JPY 5 (Rs.7) | JPY 5 (Rs.7) | |
| | | Current account | | 11,250 | 1,912 | |
| | | Term loan (Granted under SRCC & T) | 350,000 | 43,750 | 78,750 | Loan agreement |
| | | Repo balance | | 150,000 | 213,000 | |
| De La Rue Lanka Currency & Security Print (Private) Limited | Director | Savings account | | - | GBP 22 (Rs.3,754) | |
| | | Current account | | 914 | 842 | |
| | | Current account | | GBP 32 (Rs.5,595) | GBP 46 (Rs.7,849) | |
| | | Time deposit | | 18,658 | 15,962 | |
| | | Overdraft | 30,000 | 5,512 | 281 | Mortgage over commercial property |
| | | Letter of credit | | - | US$ 34 (Rs.3,749) | |
| | | Letter of guarantee | | 18,807 | 16,262 | Time deposits & 100% cash margin |
| Distance learning Centre Limited | Chairman | Current account | | - | 2,586 | |
| | | Time deposit | | 8,759 | 8,243 | |
| | | Overdraft | 2,000 | 385 | - | Time deposit |
| Lanka Hydraulic Institute Limited | Director | Current account | | 18 | 18 | |

*Currencies in thousands

# Directors' Statement on Internal Control

**Introduction**

The Board is pleased to provide the Directors' Statement on Internal Control ('Statement'), that was prepared in line with Section3 (8) (ii) (b) of the Banking Act Direction No. 11 of 2007, on Corporate Governance for Licensed Commercial Banks in Sri Lanka which outlines the processes and procedures that the Board has adopted in reviewing the adequacy and integrity of the system of internal controls of the Bank.

**Responsibility**

The Board acknowledges its overall responsibility for maintaining a sound internal control system to safeguard the Bank's resources and the stakeholders' interests. The Board is of the view that the internal control framework is designed to manage the Bank's risks within an acceptable risk profile, rather than to eliminate the risk of failure, to achieve the goals and objectives of the Bank. It can therefore only provides reasonable, rather than absolute assurance of effectiveness against material misstatement of management and financial information or against financial losses and frauds.

The Bank has in place an on-going process for identifying, evaluating, monitoring and managing significant risks that may affect the achievement of business objectives. The process which has been instituted throughout the Bank is updated and reviewed from time to time to suit the changes in the business environment and this on-going process has been in place for the whole financial year under review.

The process is regularly reviewed by the Board through the Audit Committee in accordance with the guidance for Directors of Banks on the Directors' Statement of Internal Control issued by the Institute of Chartered Accountants of Sri Lanka. As per the said guidance, significant processes affecting significant accounts of the Bank were assessed along with the key risk areas of the Bank.

The management assists the Board in the implementation of the Board's policies and procedures on risk and control by;

- identifying and evaluating the risks faced;
- formulating related policies and procedures to manage these risks;
- designing, operating and monitoring a suitable system of internal controls; and
- implementing the policies approved by the Board.

**Key Internal Control Processes**

The key processes that the Directors have established in reviewing the adequacy and integrity of the system of internal controls include the following:

**Risk Management Framework**

- The Board has established an organisation structure with clearly defined lines of responsibility, authority limits and accountability aligned to business and operational requirements, which support the maintenance of a strong control environment. It has extended the responsibilities of Audit Committee to include the assessment of internal controls, through the internal audit function.

- The Board has also delegated the responsibility of reviewing the effectiveness of risk management to the Integrated Risk Management Committee. The effectiveness of risk management system is monitored and evaluated by the Bank's risk management function, on an on-going basis.

- Risk management principles, policies, procedures and practices are updated regularly to ensure relevance and compliance with current/ applicable laws and regulations, and are made available to all employees. The Bank has a Whistle Blower Policy in place, providing an avenue for employees to report actual or suspected malpractice, misconduct or violations of the Bank's policies and regulations in a safe and confidential manner.

- Establishment of the three (3) lines of Defence Concept - risk taking units, risk control unit (Independent Integrated Risk Management Unit) and Internal Audit. The risk taking units are responsible for the day-to-day management of risks inherent in their business activities while the risk control unit is responsible for setting the risk management framework and developing tools and methodologies. The Internal Audit provides independent assurance of the effectiveness of the risk management approach.

**Internal Audit Function**

The Internal Audit checks for compliance with policies and procedures and the effectiveness of the internal control system on an on-going basis using samples and rotational procedures, and highlights significant findings in respect of any non-compliance. Audits are carried out on all units and Branches, the frequency of which is determined by the level of risk assessed, to provide an independent and objective report. The annual audit plan is reviewed and approved by the Audit Committee. Findings of the Internal Audit are submitted to the Audit Committee for review at their regular meetings.

The Audit Committee of the Bank reviews internal control issues identified by the internal auditors, external auditors, regulatory authorities and management, and evaluates the adequacy and effectiveness of the risk management and internal control system. They also review the internal audit function with particular emphasis on the scope of audits and quality of Internal Audits. The Audit Committee submits its recommendations to the Board along with the minutes of the meetings and follows up on the action to be taken. Further details of activities undertaken by the Audit Committee of the Bank during the year under review are set out in the Audit Committee Report appearing on pages 89 and 90.

# Directors' Statement on Internal Control

**Other Key Elements of Internal Control**

The other key elements of the procedures established by the Board that provide effective internal controls include the following:

- Submission of annual business plan and budget to the Board for approval. Actual performances are reviewed against the targeted results on a monthly basis allowing timely responses and corrective actions to be taken to mitigate risks. The Board reviews regular reports from the management on the key operating statistics, as well as legal and regulatory matters. The Board also approves any changes or amendments to the Bank's policies.

- Four subcommittees of the Board are set up to assist the Board to perform its oversight functions. Specific responsibilities have been delegated to these subcommittees, all of which have formalised terms of reference. These committees have the authority to examine all matters within their scope and report to the Board with their recommendations.

- Operational committees have also been established with appropriate empowerment to ensure effective management and supervision of Bank's business operations. These committees include the Asset and Liability Management Committee, Credit Policy Committee, Investment Committee, Marketing Committee, Human Resources Policy Committee and Information Technology Steering Committee.

- A clearly defined framework with appropriate empowerment and authority limits has been approved by the Board for granting of credits, acquisitions and disposals of assets, awarding tenders as well as writing-off operational and credit items.

- There are policies and procedures in place to ensure compliance with internal control and the prescribed laws and regulations. These policies and procedures are set out in the Bank's Operating Instruction Circulars and are updated from time to time in tandem with changes to the business environment or regulatory guidelines.

In assessing the internal control system on financial reporting, the Bank reviews 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 for design and control effectiveness on an on-going basis. The assessment did not include Subsidiaries of the Bank.

**Confirmation**

Based on the above processes and procedures, the Board confirms that the financial reporting system of the Bank has been designed to provide reasonable assurance on the reliability of financial reporting and the preparation of the Financial Statements for external purposes that has been done in accordance with Sri Lanka Accounting Standards and regulatory requirements of the Central Bank of Sri Lanka. The Board also confirms that the Bank complies with Section 3 (8) (ii) (b) of the Banking Act Direction No. 11 of 2007 on Corporate Governance for Licensed Commercial Banks in Sri Lanka in relation to the Director's Statement on Internal Control.

**Review of the Statement by the Auditor General**

The Auditor General, the External Auditor of the Bank has reviewed this Director's Statement on Internal Control in accordance with Sri Lanka Standard on Assurance Engagements (SLSAE) 3050 -Assurance Report for Banks on Director's Statement on Internal Control issued by the Institute of Chartered Accountants of Sri Lanka.

Based on the procedures performed, the Auditor General has 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 Board has adopted 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 confirming the above is given on page 171 of this Annual Report.

By order of the Board,

*Chairman*

*Director*

*Chairman - Audit Committee*

*21st March 2012*
*Colombo*

# Independent Assurance Report

විගණකාධිපති දෙපාර්තමේන්තුව
கணக்காய்வாளர் தலைமை அதிபதி திணைக்களம்
**AUDITOR GENERAL'S DEPARTMENT**

මගේ අංකය / எனது இல / My No. EF/F/BOC/IC/2011

මගේ අංකය / உமது இல / No.

දිනය / திகதி / Date 21 March 2012

**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 2011. 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 responsibilities 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*


නිදහස් චතුරශ්‍රය, කොළඹ 07, ශ්‍රී ලංකාව
சுதந்திர சதுக்கம், கொழும்பு 07, இலங்கை
INDEPENDENCE SQUARE, COLOMBO 07, SRI LANKA

දුරකථනය / தொலைபேசி / Telephone. 2691151
ෆැක්ස් අංකය / பக்ஸ் இல / Fax No. 2697451
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 2011 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 2011 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 2011.

**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 169 of this Annual Report.

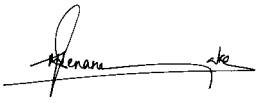
The Directors and Management have put in place risk management policies and guidelines. Management Committees are established to monitor and manage material risks. Arrangements are made to submit reports on risk to the Integrated Risk Management Committee on a quarterly basis for discussion. Compliance 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 89 and 93 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 173 of this Annual Report. The Auditor General's certification on the effectiveness of the Bank's internal control mechanism is given on page 171 of this Annual Report.

By order of the Board,



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

*21st March 2012*
*Colombo*

# Report of the Auditor General

විගණකාධිපති දෙපාර්තමේන්තුව
கணக்காய்வாளர் தலைமை அதிபதி திணைக்களம்
**AUDITOR GENERAL'S DEPARTMENT**

මගේ අංකය / எனது இல / My No. EF/F/BOC/AR/2011

මගේ අංකය / உமது இல / No.

දිනය / திகதி / Date 21 March 2012

**Report of the Auditor General on the Financial Statements of the Bank of Ceylon and its Subsidiaries for the year ended 31st December 2011**

The audit of the consolidated financial statements of the Bank of Ceylon ("Bank") and its subsidiaries for the year ended 31st December 2011 comprising the consolidated Balance Sheet as at 31st December 2011 and the consolidated Income Statement , Statement of Changes in Equity and Cash Flow Statement 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(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka. The financial statements of the subsidiaries were audited by firms of Chartered Accountants in public practice appointed by the members of the respective subsidiaries.

**Management's Responsibility for the consolidated financial statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Sri Lanka Accounting Standards and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

**Auditor's Responsibility**

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards. Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of the material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Bank's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. An audit also includes evaluating the appropriateness of Accounting Policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

**Opinion**

In my opinion the consolidated financial statements give a True and Fair view of the financial position of the Bank and its subsidiaries as at 31st December 2011 and it's financial performance and it's cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

**Report on Other Legal and Regulatory Requirements**

These financial statements had been presented the information required by the Banking Act, No. 30 of 1988 and subsequent amendments.

**Exemption**

The Bank has been exempted from the provisions of Part II of the Finance Act, No. 38 of 1971 by an Order of then Minister of Finance published in the Government Gazette No. 715 of 14 May 1992 by virtue of powers vested in him by Sections 5 (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*


නිදහස් චතුරශ්‍රය, කොළඹ 07, ශ්‍රී ලංකාව
சுதந்திர சதுக்கம், கொழும்பு 07, இலங்கை
INDEPENDENCE SQUARE, COLOMBO 07, SRI LANKA

දුරකථනය / தொலைபேசி / Telephone. 2691151
ෆැක්ස් අංකය / பக்ஸ் இல / Fax No. 2697451
ඉලෙක්ට්‍රොනික් තැපැල් / ஈ- மெயில் / E-mail. oaggov@sltnet.lk

# Income Statement

| For the year ended 31st December | Note | Page No | Bank 2011 Rs ' 000 | Bank 2010 Rs ' 000 | Bank Change % | Group 2011 Rs ' 000 | Group 2010 Rs ' 000 | Group Change % |
|---|---|---|---|---|---|---|---|---|
| **Income** | 1 | 196 | 71,368,168 | 63,362,866 | 12.6 | 75,054,699 | 66,653,894 | 12.6 |
| Interest income | 2 | 196 | 60,744,962 | 50,843,042 | 19.5 | 63,728,274 | 53,051,981 | 20.1 |
| Interest expenses | 3 | 196 | (36,228,708) | (31,200,050) | 16.1 | (37,383,766) | (32,014,051) | 16.8 |
| **Net interest income** | | | 24,516,254 | 19,642,992 | 24.8 | 26,344,508 | 21,037,930 | 25.2 |
| Fee and commission income | 4 | 196 | 7,141,666 | 6,012,728 | 18.8 | 7,507,428 | 6,486,213 | 15.7 |
| Fee and commission expenses | 5 | 196 | (505,983) | (467,298) | 8.3 | (614,376) | (556,008) | 10.5 |
| **Net fee and commission income** | | | 6,635,683 | 5,545,430 | 19.7 | 6,893,052 | 5,930,205 | 16.2 |
| Foreign exchange profit | | | 1,746,285 | 408,686 | 327.3 | 1,747,564 | 418,461 | 317.6 |
| Dividend income | 6 | 197 | 712,625 | 468,998 | 51.9 | 452,969 | 257,910 | 75.6 |
| Net gain/(loss) from investment in securities | 7 | 197 | (1,270,543) | 3,105,791 | (140.9) | (1,258,757) | 3,508,297 | (135.9) |
| Other operating income | 8 | 197 | 1,377,013 | 1,150,558 | 19.7 | 1,945,775 | 1,531,383 | 27.1 |
| | | | 2,565,380 | 5,134,033 | (50.0) | 2,887,551 | 5,716,051 | (49.5) |
| **Operating income** | | | 33,717,317 | 30,322,455 | 11.2 | 36,125,111 | 32,684,186 | 10.5 |
| **Operating expenses** | 9 | | | | | | | |
| Personnel expenses | 10 | 198 | (8,229,157) | (8,044,072) | 2.3 | (9,162,048) | (8,731,783) | 4.9 |
| Staff retirement benefits | 11 | 198 | (2,136,264) | (2,266,119) | (5.7) | (2,204,071) | (2,299,079) | (4.1) |
| Premises, equipment and establishment expenses | | | (3,057,677) | (2,858,245) | 7.0 | (2,896,478) | (2,751,960) | 5.3 |
| Other operating expenses | | | (3,473,941) | (2,908,256) | 19.5 | (3,960,352) | (3,580,358) | 10.6 |
| | | | (16,897,039) | (16,076,692) | 5.1 | (18,222,949) | (17,363,180) | 5.0 |
| **Operating profit before provisions** | | | 16,820,278 | 14,245,763 | 18.1 | 17,902,162 | 15,321,006 | 16.8 |
| Provision for loan losses | 12 | 201 | (433,619) | (1,559,894) | (72.2) | (564,528) | (1,725,997) | (67.3) |
| Recovery of non performing advances | 13 | 201 | 859,401 | 1,367,953 | (37.2) | 874,687 | 1,394,539 | (37.3) |
| Reversal of provision for fall in value of investments in related companies | 14 | 201 | 815,460 | - | 100.0 | - | - | - |
| **Operating profit before VAT** | | | 18,061,520 | 14,053,822 | 28.5 | 18,212,321 | 14,989,548 | 21.5 |
| Value added tax on financial services | | | (2,515,755) | (4,001,253) | (37.1) | (2,569,828) | (4,126,961) | (37.7) |
| **Operating profit** | | | 15,545,765 | 10,052,569 | 54.6 | 15,642,493 | 10,862,587 | 44.0 |
| Share of profit of Associate companies before tax | 15 | 201 | - | - | - | 208,715 | 212,898 | (2.0) |
| **Profit before income tax** | | | 15,545,765 | 10,052,569 | 54.6 | 15,851,208 | 11,075,485 | 43.1 |
| Income tax expense | 16 | 202 | (4,024,970) | (3,687,257) | 9.2 | (4,364,345) | (4,162,289) | 4.9 |
| **Profit for the year** | | | 11,520,795 | 6,365,312 | 81.0 | 11,486,863 | 6,913,196 | 66.2 |
| **Attributable to:** | | | | | | | | |
| Equity holder of the parent | | | 11,520,795 | 6,365,312 | 81.0 | 11,362,720 | 6,760,310 | 68.1 |
| Minority interest | | | - | - | - | 124,143 | 152,886 | (18.8) |
| **Profit for the year** | | | 11,520,795 | 6,365,312 | 81.0 | 11,486,863 | 6,913,196 | 66.2 |
| **Basic earnings per share (Rs)** | 17 | 204 | 2,304.16 | 1,273.06 | | 2,272.54 | 1,352.06 | |
| **Diluted earnings per share (Rs)** | 17 | 204 | 2,304.16 | 1,273.06 | | 2,272.54 | 1,352.06 | |
| **Dividend per share (Rs)** | 17 | 204 | 769.28 | 619.28 | | 769.28 | 619.28 | |

The significant accounting policies on pages 180 to 195 and notes on pages 196 to 266 form an integral part of these Financial Statements.

# Balance Sheet

| As at 31st December | Note | Page No | Bank 2011 Rs ' 000 | Bank 2010 Rs ' 000 | Bank Change % | Group 2011 Rs ' 000 | Group 2010 Rs ' 000 | Group Change % |
|---|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | | |
| Cash and short term funds | 18 | 205 | 18,670,911 | 14,103,803 | 32.4 | 18,789,308 | 13,754,857 | 36.6 |
| Balances with Central Banks | 19 | 205 | 30,427,455 | 25,894,466 | 17.5 | 30,427,455 | 25,894,466 | 17.5 |
| Treasury bills, bonds and other eligible bills | 20 | 205 | 58,763,601 | 45,379,013 | 29.5 | 59,611,717 | 46,348,696 | 28.6 |
| Securities purchased under re-sale agreements | | | 1,075,000 | 40,840,091 | (97.4) | 1,616,849 | 40,840,091 | (96.0) |
| Dealing securities | 21 | 206 | 3,573,900 | 3,232,348 | 10.6 | 4,028,861 | 3,805,443 | 5.9 |
| Placement with and loans to other banks | 22 | 214 | 14,544,729 | 42,679,798 | (65.9) | 18,811,887 | 47,773,386 | (60.6) |
| Treasury bonds maturing after one year | 23 | 214 | 32,093,496 | 51,296,744 | (37.4) | 33,497,189 | 51,749,203 | (35.3) |
| Loans & advances to customers | | | | | | | | |
| Bills of exchange | 24.1 | 215 | 16,756,858 | 15,395,903 | 8.8 | 17,389,216 | 16,015,528 | 8.6 |
| Loans & advances | 24.2 | 216 | 512,438,685 | 353,097,916 | 45.1 | 516,734,711 | 355,265,395 | 45.5 |
| Lease rentals receivable - within one year | 24.3 | 217 | 3,224,973 | 1,837,935 | 75.5 | 7,452,293 | 4,560,906 | 63.4 |
| Lease rentals receivable - one to five years | 24.3 | 217 | 11,169,650 | 2,387,835 | 367.8 | 17,237,374 | 6,743,744 | 155.6 |
| Lease rentals receivable - after five years | 24.3 | 218 | 61,827 | 1,995 | 2,999.1 | 61,827 | 2,224 | 2,680.0 |
| | | | 543,651,993 | 372,721,584 | 45.9 | 558,875,421 | 382,587,797 | 46.1 |
| Government of Sri Lanka Restructuring Bonds | 25 | 221 | 8,547,000 | 8,547,000 | - | 8,547,000 | 8,547,000 | - |
| Investment securities | 26 | 222 | 83,320,967 | 80,643,496 | 3.3 | 83,596,782 | 81,118,367 | 3.1 |
| Investment properties | 27 | 228 | - | - | - | 165,874 | 386,867 | (57.1) |
| Investments in Associate companies | 28 | 230 | 842,988 | 844,658 | (0.20) | 1,282,677 | 1,284,563 | (0.1) |
| Investments in Subsidiary companies | 29 | 231 | 6,240,686 | 5,279,094 | 18.2 | - | - | - |
| Other assets | 30 | 233 | 22,849,558 | 17,706,268 | 29.0 | 23,889,748 | 18,313,650 | 30.4 |
| Property, plant and equipment | 31 | 233 | 10,518,926 | 5,544,589 | 89.7 | 12,721,462 | 7,370,308 | 72.6 |
| Leasehold land | 32 | 243 | 76,270 | 77,515 | (1.6) | 117,376 | 119,978 | (2.2) |
| Intangible assets | 33 | 244 | 342,839 | 163,826 | 109.3 | 412,910 | 170,404 | 142.3 |
| **Total assets** | | | 835,540,319 | 714,954,293 | 16.9 | 856,392,516 | 730,065,076 | 17.3 |
| **Liabilities** | | | | | | | | |
| Deposits | 34 | 244 | 588,764,572 | 524,232,697 | 12.3 | 597,138,584 | 529,318,700 | 12.8 |
| Borrowed funds | 35 | 245 | 93,674,043 | 52,445,153 | 78.6 | 99,780,805 | 57,432,015 | 73.7 |
| Securities sold under re-purchase agreements | 36 | 245 | 48,724,319 | 53,522,487 | (9.0) | 48,559,119 | 52,968,787 | (8.3) |
| Insurance provision - life | 37.1 | 245 | - | - | - | 106,682 | 66,937 | 59.4 |
| Insurance provision - non life | 37.2 | 246 | - | - | - | 328,251 | 252,773 | 29.9 |
| Current tax liabilities | | | 1,139,464 | 2,199,758 | (48.2) | 1,289,186 | 2,422,527 | (46.8) |
| Deferred tax liabilities | 38 | 247 | 1,107,072 | 457,587 | 141.9 | 1,146,511 | 489,525 | 134.2 |
| Other liabilities | 39 | 247 | 20,601,940 | 15,258,392 | 35.0 | 22,134,513 | 16,417,750 | 34.8 |
| Debentures | 40 | 248 | 41,365,832 | 38,706,348 | 6.9 | 42,526,549 | 39,434,565 | 7.8 |
| **Total liabilities** | | | 795,377,242 | 686,822,422 | 15.8 | 813,010,200 | 698,803,579 | 16.3 |
| **Equity** | | | | | | | | |
| Stated capital | 41 | 252 | 5,000,000 | 5,000,000 | - | 5,000,000 | 5,000,000 | - |
| Permanent reserve fund | 42 | 252 | 3,008,000 | 2,777,500 | 8.3 | 3,008,000 | 2,777,500 | 8.3 |
| Retained profits | | | 24,591,968 | 18,712,777 | 31.4 | 25,884,129 | 20,393,029 | 26.9 |
| Other reserves | 43 | 253 | 7,563,109 | 1,641,594 | 360.7 | 8,109,528 | 2,025,557 | 300.4 |
| **Total equity attributable to the parent** | | | 40,163,077 | 28,131,871 | 42.8 | 42,001,657 | 30,196,086 | 39.1 |
| Minority interest | | | - | - | - | 1,380,659 | 1,065,411 | 29.6 |
| **Total equity** | | | 40,163,077 | 28,131,871 | 42.8 | 43,382,316 | 31,261,497 | 38.8 |
| **Total liabilities and equity** | | | 835,540,319 | 714,954,293 | 16.9 | 856,392,516 | 730,065,076 | 17.3 |
| Commitments and contingencies | 44 | 255 | 314,009,014 | 223,164,930 | 40.7 | 314,747,426 | 224,942,115 | 39.9 |

The significant accounting policies on pages 180 to 195 and notes on pages 196 to 266 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 2011 and its profit for the year then ended.

**W A Asoka Rupasinghe**
*Chief Financial Officer*

The Board of Directors is responsible for the preparation and presentation of these Financial Statements.
Approved and signed for and on behalf of the Board by,

**Dr. Gamini Wickramasinghe**
*Chairman*

**R Sivaraman**
*Director*

**W A Nalani**
*General Manager*

*16 March 2012*
*Colombo*

# Statement of Changes in Equity

| | Note | Page No | Stated Capital | Permanent reserve fund | Other Reserves: Investment fund account | Other Reserves: Other reserves | Other Reserves: Revaluation reserve | Retained profits | Total equity |
|---|---|---|---|---|---|---|---|---|---|
| | | | Rs ' 000 | Rs ' 000 | Rs ' 000 | Rs ' 000 | Rs ' 000 | Rs ' 000 | Rs ' 000 |
| **Bank** | | | | | | | | | |
| Balance as at 1st January 2010 | | | 5,000,000 | 2,650,000 | - | 1,303,700 | 125,299 | 15,819,588 | 24,898,587 |
| Net profit for the year 2010 | | | - | - | - | - | - | 6,365,312 | 6,365,312 |
| Dividends for 2010 | 17.3 | 204 | - | - | - | - | - | (3,096,410) | (3,096,410) |
| Transfers to permanent reserve fund | 42 | 252 | - | 127,500 | - | - | - | (127,500) | - |
| Adjustment on conversion of London branch into a Subsidiary | 43.5 | 254 | - | - | - | (39,566) | - | - | (39,566) |
| Exchange translation adjustment | 43.5 | 254 | - | - | - | 3,948 | - | - | 3,948 |
| Transfers to primary dealer special risk reserve | 43.3 | 254 | - | - | - | 248,213 | - | (248,213) | - |
| **Balance as at 31st December 2010** | | | 5,000,000 | 2,777,500 | - | 1,516,295 | 125,299 | 18,712,777 | 28,131,871 |
| Balance as at 1st January 2011 | | | 5,000,000 | 2,777,500 | - | 1,516,295 | 125,299 | 18,712,777 | 28,131,871 |
| Net profit for the year 2011 | | | - | - | - | - | - | 11,520,795 | 11,520,795 |
| Dividends for 2011 | 17.3 | 204 | - | - | - | - | - | (3,846,410) | (3,846,410) |
| Transfers to investment fund account | 43.1 | 253 | | | 1,484,073 | | | (1,484,073) | - |
| Transfers to permanent reserve fund | 42 | 252 | - | 230,500 | - | - | - | (230,500) | - |
| Revaluation surplus | 43.2 | 254 | - | - | - | - | 4,710,770 | - | 4,710,770 |
| Deferred tax effect on revaluation surplus on freehold buildings | 43.2 | 254 | - | - | - | - | (223,408) | - | (223,408) |
| Exchange translation adjustment | 43.5 | 254 | - | - | - | (130,541) | - | - | (130,541) |
| Transfers to primary dealer special risk reserve | 43.3 | 254 | - | - | - | 80,621 | - | (80,621) | - |
| **Balance as at 31st December 2011** | | | 5,000,000 | 3,008,000 | 1,484,073 | 1,466,375 | 4,612,661 | 24,591,968 | 40,163,077 |

| | Note | Page No | Attributable to the parent: Stated capital | Permanent reserve fund | Other reserves: Investment fund account | Other reserves: Other reserves | Other reserves: Revaluation reserve | Retained profits | Minority interest | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | Rs ' 000 | Rs ' 000 | Rs ' 000 | Rs ' 000 | Rs ' 000 | Rs ' 000 | Rs ' 000 | Rs ' 000 |
| **Group** | | | | | | | | | | |
| Balance as at 1st January 2010 | | | 5,000,000 | 2,650,000 | - | 1,639,070 | 178,692 | 17,115,523 | 950,856 | 27,534,141 |
| Net profit for the year 2010 | | | - | - | - | - | - | 6,760,310 | 152,886 | 6,913,196 |
| Dividends for 2010 | 17.3 | 204 | - | - | - | - | - | (3,096,410) | (38,143) | (3,134,553) |
| Transfers to permanent reserve fund | 42 | 252 | - | 127,500 | - | - | - | (127,500) | - | - |
| Adjustments | | | - | - | - | - | - | - | (188) | (188) |
| Adjustment due to change in shareholding | | | - | - | - | - | - | (10,681) | - | (10,681) |
| Adjustment on conversion of London branch into a Subsidiary | 43.5 | 254 | - | - | - | (39,566) | - | - | - | (39,566) |
| Exchange translation adjustment | 43.5 | 254 | - | - | - | (852) | - | - | - | (852) |
| Transfers to primary dealer special risk reserve | 43.3 | 254 | - | - | - | 248,213 | - | (248,213) | - | - |
| **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 |
| Balance as at 1st January 2011 | | | 5,000,000 | 2,777,500 | - | 1,846,865 | 178,692 | 20,393,029 | 1,065,411 | 31,261,497 |
| Net profit for the year 2011 | | | - | - | - | - | - | 11,362,720 | 124,143 | 11,486,863 |
| Dividends for 2011 | 17.3 | 204 | - | - | - | - | - | (3,846,410) | (63,834) | (3,910,244) |
| Transfers to investment fund account | 43.1 | 253 | | | 1,570,276 | | | (1,570,276) | | - |
| Transfers to permanent reserve fund | 42 | 252 | - | 230,500 | - | - | - | (230,500) | - | - |
| Transfers to other reserves | 43.6 | 254 | - | - | - | 81,110 | - | (81,110) | - | - |
| Revaluation surplus | 43.2 | 254 | - | - | | - | 4,710,770 | - | - | 4,710,770 |
| Deferred tax effect on revaluation surplus on freehold buildings | 43.2 | 254 | - | - | - | - | (223,408) | - | - | (223,408) |
| Adjustment due to change in shareholding | | | - | - | - | - | - | (62,703) | 146,162 | 83,459 |
| Conversion of Associate Co. into Subsidiary Co. | | | - | - | - | - | - | - | 108,777 | 108,777 |
| Exchange translation adjustment | 43.5 | 254 | - | - | - | (135,398) | - | - | - | (135,398) |
| Transfers to primary dealer special risk reserve | 43.3 | 254 | - | - | - | 80,621 | - | (80,621) | - | - |
| **Balance as at 31st December 2011** | | | 5,000,000 | 3,008,000 | 1,570,276 | 1,873,198 | 4,666,054 | 25,884,129 | 1,380,659 | 43,382,316 |

The significant accounting policies on pages 180 to 195 and notes on pages 196 to 266 form an integral part of these Financial Statements.

# Cash Flow Statement

| For the year ended 31st December | Note | Bank 2011 Rs ' 000 | Bank 2010 Rs ' 000 | Group 2011 Rs ' 000 | Group 2010 Rs ' 000 |
|---|---|---|---|---|---|
| **Cash flows from operating activities** | | | | | |
| Interest received | | 56,343,509 | 47,286,478 | 59,105,788 | 49,584,152 |
| Interest payments | | (22,021,083) | (23,069,630) | (22,603,912) | (23,504,431) |
| Commission, fees & receipts from other operating activities | | 8,674,132 | 7,265,660 | 9,381,998 | 7,896,404 |
| Insurance premium received from policy holders | | - | - | 788,105 | 558,840 |
| Insurance claims & benefits paid | | - | - | (346,973) | (210,662) |
| Reinsurance premium paid | | - | - | (192,379) | (80,676) |
| Reinsurance receipts in respect of claims | | - | - | 87,037 | 4,897 |
| Cash paid to and on behalf of employees | | (9,943,318) | (9,544,644) | (10,876,209) | (10,265,315) |
| Cash payments to suppliers | | (5,904,961) | (5,813,787) | (5,810,734) | (6,433,716) |
| Recovery of loans written off in previous years | | 81,095 | 70,866 | 96,381 | 97,452 |
| Value added tax on financial services paid | | (2,133,955) | (3,667,377) | (2,174,133) | (3,793,085) |
| **Operating profit before changes in operating assets and liabilities** | I | 25,095,419 | 12,527,566 | 27,454,969 | 13,853,860 |
| **(Increase)/decrease in operating assets** | | | | | |
| Deposits held for regulatory purposes | | (4,532,989) | (9,630,998) | (4,532,989) | (9,630,998) |
| Funds advanced to customers | | (169,886,693) | (107,935,978) | (175,374,818) | (110,016,719) |
| Credit card receivables | | (731,465) | (259,654) | (731,465) | (259,654) |
| Other operating assets | | (2,186,457) | 1,122,159 | (2,306,272) | 2,372,359 |
| | | (177,337,604) | (116,704,471) | (182,945,544) | (117,535,012) |
| **Increase/(decrease) in operating liabilities** | | | | | |
| Deposits from other banks | | 805,953 | 179,675 | 1,426,900 | 418,628 |
| Deposits from customers | | 63,725,922 | 117,571,827 | 66,392,984 | 117,440,490 |
| Other operating liabilities | | 1,171,501 | (2,068,910) | 797,773 | (1,481,636) |
| | | 65,703,376 | 115,682,592 | 68,617,657 | 116,377,482 |
| **Net cash generated from/(used in) operating activities before income tax** | | (86,538,809) | 11,505,687 | (86,872,918) | 12,696,330 |
| Income tax paid | | (3,439,227) | (1,234,447) | (3,576,228) | (1,927,120) |
| **Net cash generated from/(used in) operating activities** | | (89,978,036) | 10,271,240 | (90,449,146) | 10,769,210 |
| **Cash flows from investing activities** | | | | | |
| Dividends received | | 712,625 | 468,998 | 452,969 | 257,910 |
| Interest received | | 1,624,175 | 1,439,981 | 1,762,108 | 1,453,841 |
| Proceeds from sale of investment securities | | 24,358,623 | 23,575,775 | 23,506,358 | 23,762,240 |
| Purchase of investment securities | | (7,904,969) | (31,567,092) | (7,795,469) | (32,038,217) |
| Net increase in treasury bills and other eligible bills | | (13,510,227) | (16,668,014) | (13,388,660) | (16,684,808) |
| Net (purchase)/ proceeds from sale of dealing securities | | (1,414,842) | 532,015 | (1,293,826) | 643,727 |
| Net (purchase)/proceeds from sale of securities purchased under re-sale agreements | | 39,765,091 | (34,225,046) | 39,223,242 | (34,172,166) |
| Net cash effect on investment in Subsidiaries & Associates | | | | | |
| Net cash effect on investment in Bank of Ceylon (UK) Limited | II (a) | - | (1,893,873) | - | - |
| Net cash effect on acquisition of Subsidiaries | II (b) | - | - | - | (23,625) |
| Net cash effect on investment in other Subsidiaries & Associates | II (c) | - | - | - | (187,186) |
| Purchase of property, plant & equipment | | (1,084,023) | (1,043,502) | (1,561,859) | (1,106,282) |
| Purchase of intangible assets | | (275,283) | (107,887) | (342,450) | (109,473) |
| Purchase of leasehold lands | | (360) | (16,521) | (360) | (16,521) |
| Purchase of investment properties | | - | - | (15,000) | (2,659) |
| Proceeds from investment properties | | - | - | 232,707 | 4,447 |
| Proceeds from sale of foreclosed properties | | 50,351 | 72,896 | 50,351 | 72,896 |
| Proceeds from sale of property, plant & equipment | | 13,759 | 14,466 | 33,735 | 24,025 |
| **Net cash generated from/(used in) investing activities** | | 42,334,920 | (59,417,804) | 40,863,846 | (58,121,851) |
| **Cash flows from financing activities** | | | | | |
| Dividends paid to Government of Sri Lanka | | (4,019,615) | (2,923,205) | (4,019,615) | (2,923,205) |
| Dividends to minority shareholders | | - | - | (63,834) | (38,143) |
| Interest payments | | (10,885,952) | (9,162,180) | (11,520,921) | (9,566,680) |
| Proceeds from issue of shares by Subsidiary undertaking | | - | - | 201,000 | - |
| Proceeds from issue of debentures | | 5,000,000 | 21,678,813 | 6,000,000 | 22,083,113 |
| Payments on redemption of debentures | | (2,450,000) | (1,000,000) | (2,877,500) | (1,744,160) |
| Net purchase/(procedes from sale) of securities sold under re-purchase agreements | | (4,798,168) | 19,318,786 | (4,409,668) | 20,000,746 |
| Net increase in other borrowings | | 41,228,890 | 18,642,032 | 42,348,790 | 21,664,892 |
| **Net cash generated from financing activities** | | 24,075,155 | 46,554,246 | 25,658,252 | 49,476,563 |
| **Movement in cash and cash equivalent during the year** | | | | | |
| Net increase/(decrease) in cash and cash equivalents | | (23,567,961) | (2,592,318) | (23,927,048) | 2,123,922 |
| Cash and cash equivalents at the beginning of the year | | 56,783,601 | 59,375,919 | 61,528,243 | 59,404,321 |
| **Cash and cash equivalents at the end of the year** | III | 33,215,640 | 56,783,601 | 37,601,195 | 61,528,243 |

# Cash Flow Statement

| For the year ended 31st December | Note | Page No | Bank 2011 Rs ' 000 | Bank 2010 Rs ' 000 | Group 2011 Rs ' 000 | Group 2010 Rs ' 000 |
|---|---|---|---|---|---|---|
| **Notes to the cash flow statement** | | | | | | |
| **Note I** | | | | | | |
| **Reconciliation of operating profit before changes in operating assets and liabilities** | | | | | | |
| Profit before taxation | | | 15,545,765 | 10,052,569 | 15,851,208 | 11,075,485 |
| **Add/(Less):** | | | | | | |
| Accrued interest receivable on operating activities | | | (1,900,068) | (1,415,728) | (1,957,272) | (1,277,913) |
| Accrued interest payable on operating activities | | | 3,107,237 | (720,246) | 3,048,642 | (776,295) |
| Interest payments on financing activities | | | 11,100,898 | 8,850,666 | 11,731,212 | 9,285,915 |
| Notional tax credit on interest on government securities | 16.5 | 203 | (792,935) | (659,630) | (814,273) | (685,027) |
| Dividends received from Subsidiaries & Associates | | | (278,091) | (222,719) | - | - |
| Profit on exchange revaluation | | | (1,562,725) | (279,536) | (1,518,263) | (277,474) |
| Profit from sale of Associate companies | | | - | - | - | (91,045) |
| Share of profit of Associate companies | 15 | 201 | - | - | (208,715) | (212,898) |
| Equity adjustment of Associate companies | | | - | - | 2,229 | (5,334) |
| Negative goodwill arised on aqcuisition | | | - | - | (131,071) | - |
| Goodwill adjustment on acquisition | | | - | - | 6,956 | 24,676 |
| Net (gain)/loss on marked to market valuation on government securities | | | 626,019 | (132,069) | 626,019 | (143,924) |
| Net (gain)/loss on marked to market valuation on dealing securities | | | 1,401,575 | (1,701,874) | 1,517,939 | (1,838,238) |
| Income related with investment activities | | | (2,142,985) | (1,727,485) | (2,255,757) | (1,720,084) |
| Net gain from investment securities | | | (428,766) | (1,037,229) | (437,670) | (1,059,544) |
| Net gain from dealing securities | | | (328,285) | (234,620) | (447,531) | (466,592) |
| Reversal of provision for diminution in value of investment | | | (815,460) | - | - | - |
| Reversal of provision for non performing advances | | | (778,306) | (1,297,087) | (778,306) | (1,297,087) |
| Loan loss provision | 12 | 201 | 433,619 | 1,559,894 | 564,528 | 1,725,997 |
| Profit on sale of property, plant & equipment and foreclosed properties | 8 | 197 | (28,616) | (26,775) | (33,355) | (32,494) |
| Depreciation of property, plant & equipment | 32 | 243 | 815,088 | 784,993 | 949,631 | 889,616 |
| Depreciation of investment properties | 27 | 228 | - | - | 3,285 | 3,074 |
| Amortisation of intangible assets | 34 | 244 | 96,270 | 54,873 | 99,944 | 59,076 |
| Amortisation of leasehold properties | 33 | 244 | 1,605 | 2,296 | 2,962 | 3,653 |
| Accrual for expenses | | | 219,678 | (422,149) | 747,021 | (429,106) |
| Provision made for staff payments | | | 422,102 | 765,547 | 489,910 | 765,547 |
| Provision made for value added tax on financial servises | | | 381,800 | 333,875 | 395,696 | 333,876 |
| Operating profit before changes in operating assets and liabilities | | | 25,095,419 | 12,527,566 | 27,454,969 | 13,853,860 |

**Note II**

**Net cash effect on investment in Subsidiaries & Associates**

**(a) Net cash effect on investment in Bank of Ceylon (UK) Limited**

(On 30th April 2010 Bank of Ceylon branch in London was converted into a Subsidiary named Bank of Ceylon (UK) Limited)

| | Bank 2010 Rs ' 000 |
|---|---|
| **Net identifiable assets & liabilities in :** | |
| Securities held on own account | (912,426) |
| Loans & advances to customers | (217,340) |
| Property, plant & equipment | (450,090) |
| Other assets | (283,068) |
| Deposits from banks | (704,745) |
| Customer deposit accounts | 2,126,247 |
| Other payable | 250,121 |
| **Net identifiable assets & liabilities transferred to Bank of Ceylon (UK) Limited** | (191,301) |
| **Cash outflow on the additional investment made in Bank of Ceylon (UK) Limited** | (1,893,873) |
| Exchange translation adjustment | (2,061) |
| Total investment in Bank of Ceylon (UK) Limited since classified as investment in Subsidiary | (2,087,235) |

**(b) Net cash effect on acquisition of Subsidiaries :**
**Koladeniya Hydropower (Private) Limited**
(On 3rd December 2010 Koladeniya Hydropower (Private) Limited was acquired by Property Development PLC as a Subsidiary)

| | Group 2010 Rs ' 000 |
|---|---|
| **Net identifiable assets & liabilities in :** | |
| Property, plant & equipment | (3,604) |
| Trade & other payable | 4,655 |
| Net identifiable assets & liabilities | 1,051 |
| Goodwill on acquisition | (24,676) |
| Cash outflow on acquisition | (23,625) |

**(c) Net cash effect on investment in other Subsidiaries & Associates**

| | |
|---|---|
| MBSL Savings Bank Limited | (137,186) |
| MBSL Insurance Company Limited | (50,000) |
| | (187,186) |

**Note III**
**Analysis of cash and cash equivalents**

| **For the year ended 31st December** | Note | Page No | Bank 2011 Rs ' 000 | Bank 2010 Rs ' 000 | Group 2011 Rs ' 000 | Group 2010 Rs ' 000 |
|---|---|---|---|---|---|---|
| Cash and short term funds | 18 | 205 | 18,670,911 | 14,103,803 | 18,789,308 | 13,754,857 |
| Placements with and loans to other banks | 22 | 214 | 14,544,729 | 42,679,798 | 18,811,887 | 47,773,386 |
| | | | 33,215,640 | 56,783,601 | 37,601,195 | 61,528,243 |

Comparatives in the Cash flow statement have been amended due to reclassification.

The significant accounting policies on pages 180 to 195 and notes on pages 196 to 266 form an integral part of these Financial Statements.

# Significant Accounting Policies

## 1. CORPORATE INFORMATION

Bank of Ceylon is a Government corporation domiciled in Sri Lanka, duly incorporated on 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 Head Office, "BOC Square", No.1, Bank of Ceylon Mawatha, Colombo 01, Sri Lanka. The debentures issued by the Bank are listed on the Colombo Stock Exchange.

The staff strength of the Bank as at 31st December 2011 was 8,115 (2010 - 8,204).

The Consolidated Financial Statements prepared for the year ended 31st December 2011 comprise the Bank ("Parent"), its Subsidiaries (together referred to as the "Group") and Group's interests in its Associate companies.

The Bank does not have an identifiable parent of its own.

The Financial Statements for the year ended 31st December 2011 were authorised for issue on 16th March 2012 in terms of Minute No.1.1 of the Board meeting held on 16th March 2012.

## 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, pawn broking, credit card facilities, off-shore banking, foreign currency operations and other financial services.

There have been no significant changes in the nature of principal activities during the year other than entering into bancassurance business.

### Subsidiaries

The principal activities of the Bank's Subsidiaries are as follows :

| Name of Company | Principal Activities |
|---|---|
| Property Development PLC | Maintain, manage, develop and sustain the utility and value of Bank of Ceylon Head Office Building |
| Merchant Bank of Sri Lanka PLC | Leasing and hire purchase, trade finance, corporate advisory services, capital market activities and secretarial services |
| BOC Management & Support Services (Private) Limited | Provides management services |
| 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 | Engage in travel related services |
| Hotels Colombo (1963) Limited | Provides hotel services |
| Merchant Credit of Sri Lanka Limited | Acceptance of deposits, granting lease facilities, hire purchase, loans and other credit facilities, real estate developments and related services |
| Ceylease Financial Services Limited | Granting lease facilities, hire purchase, loan facilities and real estate developments and sales and pawning |
| Ceybank Holiday Homes (Private) Ltd | 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 | Provides financial services including accepting deposits and dealing in investments |
| MBSL Savings Bank Limited | Provides financial services including accepting deposits, granting term and mortgage loans, lease financing, hire purchase financing, pawning etc. |

There have been no significant changes in the nature of principal activities of subsidiaries during the year.

### Associates

The principal activities of Bank's Associates 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 | Equity trading, debt trading and placements |
| 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 have been no significant changes in the nature of principal activities of the above associates during the year under review.

## 2. DIRECTORS' RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Board of Directors is responsible for the preparation and presentation of the Financial Statements of the Bank in terms of the provisions 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 3.1 BASIS OF PREPARATION

The Financial Statements of the Bank and the Group encompassing the Balance Sheet, Income Statement, Cash Flow Statement, Statement of Changes in Equity, Accounting Policies and the Notes are prepared in conformity with Accounting Standards issued by The Institute of Chartered Accountants of Sri Lanka and on the basis of historical cost convention except otherwise stated as required by the above Standards, which have been applied consistently with that of the previous year. Except as indicated, the Financial Statements presented in Sri Lankan Rupees have been rounded to the nearest thousand. No adjustment has been made for inflationary factors affecting the Financial Statements.

### 3.2 STATEMENT OF COMPLIANCE

The Financial Statements of the Bank and its Subsidiaries are prepared in accordance with the Sri Lanka Accounting Standards (SLASs) laid down by The Institute of Chartered Accountants of Sri Lanka and comply with the requirements of Bank of Ceylon Ordinance and Banking Act No.30 of 1988 and amendments thereto. Financial Statements of Subsidiaries, in addition to the above, are complied with Companies Act No. 07 of 2007, Finance Leasing Act No. 56 of 2000, Finance Companies Act No. 78 of 1988, Insurance Industry Act No. 43 of 2000,
Part IV of the Financial Services and Markets Act 2000 (FSMA 2000) authorised by the Financial Services Authority (FSA) of the United Kingdom and provisions of International Financial Reporting Standards (IFRSs) and provide appropriate disclosures as required by the Listing Rules of the Colombo Stock Exchange. The Financial Statements of the Bank and its Subsidiaries present fairly the financial position, financial performance and cash flows.

### 3.3 ESTIMATES AND MANAGEMENT JUDGEMENTS

The preparation of Financial Statements requires Management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances.

The estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and/or in future periods if the revision affects future periods too.

Key items which involve these judgements, estimates and assumptions are discussed below.

**Defined Benefit Plans**

The costs of defined benefit plan, gratuity and pension obligation are determined by using actuarial valuations. It involves making assumptions about discount rates, expected rate on planned assets, attrition rate, future salary increases, future cost of living allowances and future pension increases. All assumptions are reviewed at each reporting date due to uncertainty.

**Impairment losses on Loans and Advances**

In addition to the provisions made for possible losses on loans and advances based on the parameters given in the Sri Lanka Accounting Standard No.23 on 'Revenue Recognition and Disclosures in the Financial Statements of Banks' and Directives issued by the Central Bank of Sri Lanka, the Group reviews its loans and advances portfolio at each reporting date or more frequently, if events or changes are in existence, which require to assess whether a further provision for impairment is required against exposures.

The judgements by the management are required in the estimation of these amounts and such estimations are based on assumptions of a number of factors including any adverse movement in country risk, industry and technological obsolescence, borrowers' financial situation and net realisable value of collaterals.

**Impairment of Other Assets**

The Group assesses whether there are any indicators of impairment for an asset or a cash generating unit at each reporting date or more frequently, if events or changes in circumstances necessitate to do so. If any indication exists assets should be valued to assess the impairment. This assessment requires the management to make an estimate of expected future cash flows, suitable discount rates in order to arrive at the present value of future cash flows, which can be derived from a particular asset.

### 3.4 MATERIALITY AND AGGREGATION

Each material class of similar items is presented separately in the Financial Statements. Items of a dissimilar nature or function are presented separately unless they are immaterial as permitted by the Sri Lanka Accounting Standard No.03 (Revised 2005) on 'Presentation of Financial Statements'.

### 3.5 FOREIGN CURRENCY TRANSLATION

**Functional and Presentation Currency**

The Consolidated Financial Statements are presented in Sri Lankan Rupees, which is the Bank's functional and presentation currency.

#### 3.5.1 Foreign Currency Transactions

Transactions in foreign currencies are measured at the exchange rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into Sri Lankan Rupees at the exchange rate ruling at the Balance Sheet date. The resulting gains and losses from foreign exchange differences are accounted for in the Income Statement.

Non-monetary assets and liabilities measured at cost in a foreign currency are translated using the exchange rate at the date of the initial transaction. Non-monetary assets and liabilities measured at fair value in foreign currencies are translated into Sri Lankan Rupees at the exchange rate ruling at the date the fair value was determined.

#### 3.5.2 Foreign Operations

The results and financial position of the branches in India, Maldives and Bank of Ceylon (UK) Limited whose functional currency is not Sri Lankan Rupees are translated into Sri Lankan Rupees as follows:

- Assets and liabilities are translated at the exchange rate ruling at the Balance Sheet date.
- Income and expenses in the Income Statement are translated at an average exchange rate approximating the exchange rates at the date of the transactions, and in the case of income and expenses of overseas branches, the monthly average exchange rates are applied for translation.
- Resulting exchange differences are recognised in the foreign currency translation reserve, which is a separate component of equity.
- When a foreign operation is disposed, the deferred cumulative translation gain or loss recognised in equity relating to that particular foreign operation is recognised in the Income Statement as part of the gain or loss on disposal.
- Forward exchange contracts are valued at the forward market rates ruling on the date of the Balance Sheet. Resulting net unrealised gains and losses are dealt with through the Income Statement.

#### 3.5.3 Consolidation Adjustments

On consolidation, foreign exchange differences arising from the translation of net investments in foreign entities are taken to equity.

### 3.6 BASIS OF CONSOLIDATION

The Bank's Financial Statements comprise the consolidation of the Financial Statements of the Domestic Banking Unit, the Off-shore Banking Unit and the foreign operations that are integral to the Bank. The Group's Financial Statements comprise consolidation of the Financial Statements of the Bank, its Subsidiaries in terms of the Sri Lanka Accounting Standard No. 26 (Revised 2005) on 'Consolidated and Separate Financial Statements' and in terms of the Sri Lanka Accounting Standard No. 27 (Revised 2005) on 'Investments in Associates'.

#### 3.6.1 Subsidiaries

Subsidiaries are those companies in which the Bank, directly or indirectly, has an interest of more than one half of the voting rights or the Bank has control over the financial and operating policies.

Subsidiaries are consolidated from the date on which effective control is transferred to the Bank and are no longer consolidated from the date of disposal.

The Consolidated Financial Statements are prepared to common financial year end of 31st December. The accounting policies of the Subsidiaries have been changed wherever necessary to comply with the Group's accounting policies. There are no significant restrictions on the ability of Subsidiaries to transfer funds to 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 29 to the Financial Statements. Separate disclosure is made in respect of minority interest.

#### 3.6.2 Associates

Associates are entities in which the Group has significant influence over financial and operational decisions, but not control, and generally holds a shareholding of between and including 20% and 50% of the voting rights.

The Group's investments in Associates are initially recognised at cost and subsequently accounted using the Equity Method. The carrying amount is increased or decreased to recognise the Group's share of net assets of the Associate, less any impairment in value after the date of acquisition. Where the Group's share of losses in an Associate equals or exceeds its interest in the Associate, including any unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the Associate. The Group discontinues the use of the Equity Method from the day that it ceases to have significant influence over an Associate and accounts for the investment in accordance with the Sri Lanka Accounting Standard No.22 on 'Accounting for Investments'.

There are no significant restrictions on the ability of Associates to transfer funds to Parent in the form of cash dividends or to repay loans and advances. The results of the Associates are taken from the latest audited accounts or unaudited management accounts of the Associates prepared at dates not more than three months prior to the end of the financial year of the Group.

A list of the Bank's Associates is shown in Note 28 to the Financial Statements.

### 3.6.3 Business Combinations and Goodwill

Business combinations are accounted for using the Purchase Method of Accounting as per the requirements of the Sri Lanka Accounting Standard No.25 (Revised 2004) on 'Business Combinations'. This involves recognising identifiable assets and liabilities of the acquired business at fair value. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired, is recognised as goodwill which is written-off in full in the year of acquisition. If the cost of acquisition is less than the fair values of the identifiable net assets acquired, the difference is identified as discount on acquisition and is recognised directly in the Income Statement in the year of acquisition.

When Subsidiaries/Associates/other business units are sold, the difference between the selling price and the net assets plus cumulative translation differences is recognised in the Income Statement in the year of disposal.

### 3.6.4 Transactions Eliminated on Consolidation

All intra-group transactions, balances, income and expenses 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.

## 3.7 TAXATION

Provision for taxation comprises current and deferred tax and Social Responsibility Levy. (Social Responsibility Levy was abolished with effect from 1st April 2011). Provision for taxation is recognised in the Income Statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

### 3.7.1 Current Taxation

Provision for taxation on Sri Lankan operations is made on the basis of the net profit for the year as adjusted for taxation purposes in accordance with the provisions of the Inland Revenue Act No. 10 of 2006 and the amendments thereto. Provision for taxation on the overseas operations is made on the basis of the net profit for the year as adjusted for taxation purposes in accordance with the provisions of the relevant tax regimes.

### 3.7.2 Deferred Taxation

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Statements. Deferred tax liabilities are recognised for all taxable temporary differences, except;

- Liabilities arising from goodwill for which amortisation is not deductible for tax purposes.
- Liabilities arising from the initial recognition of an asset/liability other than in business combinations which, at the time of transaction, does not affect either the accounting or taxable profit.

  Deferred tax assets are recognised for all deductible temporary differences, unused tax losses to the extent that it is probable that taxable profit will be available against, which the deductible temporary differences can be utilised, except ;

- Negative goodwill, which was treated as deferred income under business combinations.
- The initial recognition of an asset/liability other than in a business combination which, at the time of transaction, does not affect the accounting or taxable profit.

The carrying amount of deferred tax asset is reviewed at each Balance Sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax assets to be utilised. Any such reduction should be subsequently reversed to the extent that it becomes probable that sufficient taxable profit would be available.

Deferred tax assets and liabilities are measured at the tax rate that are expected to apply in the year when the assets are realised or the liabilities are settled, based on tax rates and tax laws that have been enacted or substantially enacted at the Balance Sheet date.

Current tax and deferred tax relating to items recognised directly in equity are also recognised in equity. Deferred tax assets and liabilities are set off if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

### 3.7.3 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% (20% in 2010) Value Added Tax as per Section 25 (a) of the Value Added Tax Act No.14 of 2002 and amendments thereto.

**3.7.4 Economic Service Charge (ESC)**

ESC was initially implemented under the provisions of Part I of the Finance Act No.11 of 2004 and now governed by Economic Service Charge Act No.13 of 2006.

In terms of the provisions of the Economic Service Charge Act No.13 of 2006 and amendments thereto, ESC is payable at 1% on liable turnover (maximum limit of Rs.30 million per quarter) and is deductible from the income tax liability. Any unclaimed balance can be carried forward and set off against the income tax payable in the subsequent five years.

**3.7.5 Social Responsibility Levy (SRL)**

In terms of the provisions of the Finance Act No.05 of 2005, as amended by the Finance Act No.15 of 2011, SRL is payable at the rate of 1.5% on all taxes and levies chargeable as specified in the First Schedule of the Act. The SRL has been abolished from 1st April 2011.

**3.7.6 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. Thus, the withholding tax deducted at source is added to the tax expense in preparing the Consolidated Financial Statements as a consolidation adjustment.

**3.7.7 Investment Fund Account (IFA)**

According to the guidelines issued by the Central Bank of Sri Lanka on the operations of the Investment Fund Account, any entity engaged in the business of banking or financial services, is required to establish and operate an IFA with effect from 1st January 2011. As and when taxes are paid after 1st January 2011 the Bank should transfer the following funds to IFA and build a permanent fund in the Bank.

i. 8% of the profits calculated for the payment of Value Added Tax (VAT) on financial services on dates as specified in the VAT Act for payment of VAT.

ii. 5% of the profits before tax calculated for payment of income tax purposes on dates specified in Section 113 of the Inland Revenue Act for the self assessment payment of tax.

The funds that are being transferred to the IFA are treated as appropriations of profit after tax and maintained as a separate item under general reserves of the Bank.

The utilisation of funds is made in terms of the instructions given in the aforesaid guidelines.

**4 ASSETS AND BASIS OF VALUATION**

**4.1 GOVERNMENT OF SRI LANKA TREASURY BILLS, BONDS AND OTHER SECURITIES**

**4.1.1 Investments that are held for trading**

Investments in Treasury Bills and Treasury Bonds that are acquired for the purpose of short-term selling (held for trading) initially recognised at cost and subsequently marked to market and carried at that value in the Balance Sheet. Gains and losses on marked to market valuation are dealt with through the Income Statement.

**4.1.2 Investments that are held to Maturity**

Investments in Treasury Bills and Treasury Bonds that the Bank intends and is able to hold to maturity are reflected at the value of the Bonds/ Bills purchased and the discount/premium accrued thereon. Discounts received/premia paid are taken to the Income Statement based on a pattern reflecting a constant periodic rate of return.

**4.2 SECURITIES PURCHASED UNDER RE-SALE AGREEMENTS (REVERSE REPOS)**

Securities purchased under re-sale agreements are treated as collateralised lending and recorded at the consideration paid and interest accrued thereon. The amount lent is shown as an asset either as loans and advances to customers or loans to other banks.

The difference between purchase price and pre-determined re-sale price is treated as interest income and accrued evenly over the life of REPO agreement.

**4.3 INVESTMENTS**

**4.3.1 Investments in Subsidiaries**

Investments in Subsidiaries are accounted for under the Cost Method of accounting in the Bank's Financial Statements in accordance with the Sri Lanka Accounting Standard No. 26 (Revised 2005) on 'Consolidated and Separate Financial Statements'. Accordingly, investments in Subsidiaries are stated in the Bank's Balance Sheet at cost, less impairment losses if any.

**4.3.2 Investments in Associates**

Investments in Associates are accounted for under the Cost Method in the Bank's Financial Statements and under the Equity Method in the Group's Financial Statements in accordance with the Sri Lanka Accounting Standard No. 27 (Revised 2005) 'Investment in Associates'.

In the Bank's Balance Sheet, investments in Associates are stated at cost, less impairment losses, if any. Under the Equity Method, the investments in Associates are initially accounted for at cost and the carrying amount is adjusted for post- acquisition changes in the Bank's share of net assets of the Associates, less any impairment.

#### 4.3.3 Dealing Securities

These are marketable securities acquired and held with the intention of resale over a short period of time. Such securities are initially measured at cost and subsequently marked to market and carried at market value in the Balance Sheet. Any gains/losses on mark to market valuation are dealt with the Income Statement.

#### 4.3.4 Investment Securities

These are acquired and held for yield or capital growth in the medium or long term with the positive intent and ability to hold until maturity. Such securities are recorded at cost in accordance with Sri Lanka Accounting Standard No. 22 on 'Accounting for Investments'. Changes in market values of these securities are not taken into account, unless there is considered to be diminution in value, which is other than temporary.

#### 4.3.5 Non-Current Assets Held for Sale

These are assets classified as held for sale as at the Balance Sheet date. The Bank intends to recover the value of these assets, principally through a sales transaction rather than continuing to hold. These are assets which are available for immediate sale in their present condition, subject to only the terms that are usual and customary for sale of such assets and where sale is highly probable. These assets are measured at the lower of the carrying amount and fair value less costs to sell, as per the Sri Lanka Accounting Standards No. 38 (Revised 2006) of 'Non-current Assets Held for Sale and Discontinued Operations'.

### 4.4 INVESTMENT PROPERTIES

The Group applies the requirements of the Sri Lanka Accounting Standard No. 40 (Revised 2005) on 'Investment Property', in accounting for investment properties.

#### 4.4.1 Basis of Recognition

Investment property is property that is held to earn rentals or for capital appreciation or both and the future economic benefits that are associated with the investment property but not for sale in the ordinary course of business.

#### 4.4.2 Measurement

Investment property is accounted for under Cost Model in the Financial Statements. Accordingly, after recognition as an asset, the property is carried at its cost, less accumulated depreciation and impairment losses.

#### 4.4.3 Depreciation

Depreciation is provided on a straight-line basis over the estimated life of the class of asset from the date of purchase up to the date of disposal.

#### 4.4.4 Derecognition

Investment properties are derecognised when they are disposed of, or permanently withdrawn from use since no future economic benefits are expected. Transfers are made to and from investment property only when there is a change in use.

The gain/loss on disposal is calculated as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised as income or expense in the Income Statement.

### 4.5 LOANS AND ADVANCES, FINANCE LEASES AND CREDIT CARD RECEIVABLE

#### 4.5.1 Loans and Advances

All loans and advances are recognised when cash is advanced to borrowers. Loans and advances are stated in the Balance Sheet net of provisions for loan losses and net of interest in suspense which is not accrued to revenue.

#### 4.5.2 Finance Leases

Assets leased to customers, which transfer substantially all the risks and rewards associated with ownership other than legal title for a specific period are accounted for as finance leases.

Lease receivables are stated in the Balance Sheet net of initial rentals received, unearned lease income and provision for rentals doubtful of recovery.

#### 4.5.3 Credit Card Receivable

Amounts receivable on credit cards are included in advances to customers at the amounts expected to be recovered.

### 4.6 NON-PERFORMING LOANS AND PROVISION FOR LOAN LOSSES

#### 4.6.1 (a) Non-Performing Loans

Loans and advances which are in arrears of due capital and/or interest are classified as non-performing as per Direction No.03 of 2008 dated 08 May 2008 on 'Classification of Loans and Advances, Income Recognition and Provisioning', as amended by the Direction No. 06 of 2009 on 'Amendments to Directions on Classification of Loans and Advances, Income Recognition and Provisioning for Licensed Commercial Banks in Sri Lanka' issued by the Central Bank of Sri Lanka.

**4.6.1 (b) Foreclosed Properties**

Foreclosed properties represent properties that are acquired in full or partial settlement of debts. These properties are classified as non-performing advances and accounted for at the lower of cost or market value on an individual property basis. The shortfall between the market value of the foreclosed properties and the related loan outstanding is recognised as a provision for loan losses in the Income Statement. Foreclosed properties are not subject to depreciation.

Subsequent gains and losses on the disposal of the foreclosed properties are taken into account in determining operating profits

**4.6.2 Provision for Loans, Advances and Finance Leases**

**4.6.2 (a) Provision for Non-Performing Loans and Advances**

Provision for non-performing loans and advances are made on the basis of a continuous review of all loans and advances in accordance with Sri Lanka Accounting Standard No. 23 on 'Revenue Recognition and Disclosures in the Financial Statements of the Banks' and the directions issued by the Central Bank of Sri Lanka.

Accordingly, specific provisions have been made as follows.

| Period Outstanding | Classification | Provision made net of realisable value of the security |
|---|---|---|
| 3 to 6 months | Special mention | - |
| 6 to 12 months | Substandard | 20% |
| 12 to 18 months | Doubtful | 50% |
| 18 months and over | Loss | 100% |

Additional provisions have also been made over and above the minimum percentages specified above, on a case-by-case basis depending on the risk associated with such loans.

When a loan is deemed uncollectable, it is written-off against the related provision for impairments. Subsequent recoveries are credited to the Income Statement.

In addition, the value of the security is determined on the 'Hair Cut Rule' imposed by the Central Bank of Sri Lanka i.e, the extent upto which the Forced Sale Value (FSV) of immovable property can be counted as the value of security (which is given below) in calculating the provisioning for non-performing advances.

| Item | % of FSV of immovable property that can be considered as the net value of security | |
|---|---|---|
| | Freehold Property | Leasehold Property |
| For advances in the substandard and doubtful category | 75 | 60 |
| For advances in the loss category | | |
| Less than 12 months | 75 | 60 |
| More than 12 months but less than 24 months | 60 | 50 |
| More than 24 months but less than 36 months | 50 | 40 |
| More than 36 months but less than 48 months | 40 | 30 |
| More than 48 months | 40 | Nil |

**4.6.2 (b) Provision for Lease Rentals Receivable in Arrears**

When the rental is in arrears over a consecutive period of 90 days, the specific provision is made as follows.

| Period of Outstanding | Classification | Provision |
|---|---|---|
| 90 – 180 days | Special mention | - |
| Over 180 days | Loss | 100% |

| Category | Provision |
|---|---|
| A | 100% of capital outstanding of lease assets minus value obtained based on an external valuation report or in the absence of such valuation the net book value calculated by using depreciation rate of 25% on motor vehicles and 20% on machinery and equipment on the straight line basis on acquisition price net of upfront rentals and cash security obtained, if any. |
| B | 100% of capital outstanding net of upfront rentals and cash security obtained, if any. |

Category A - Identified at the time of termination of lease contract.

Category B - Identified at the time of loss of the assets.

#### 4.6.2 (c) Provision for Credit Card Receivable

When the required minimum payment is in arrears on credit card receivable, specific provision is made as follows:

| Period Outstanding | Classification | Provision % |
|---|---|---|
| 3 - 4 months | Special mention | - |
| 4 - 6 months | Substandard | 25 |
| 6 - 8 months | Doubtful | 50 |
| Over 8 months | Loss | 100 |

#### 4.6.2 (d) Provision for Pawning

A 100% specific provision is made for the total amount advanced for unsold articles at every auction.

#### 4.6.2 (e) Provision for Regular Advances

Apart from specific provisions, the Bank also carries general provision on total performing and overdue loans and advances for credit losses to absorb all losses inherent in its loan portfolio including credit card receivables, lease rental receivables and pawning.

According to the Banking Act Direction No.03 of 2010, 'Amendments to Direction on Classification of Loans and Advances, Income Recognition and Provisioning for Licensed Commercial Banks in Sri Lanka', general provision is reduced at the rate of 0.1% per quarter commencing from 4th quarter 2010 and banks shall maintain general provision of 0.5% of total outstanding of performing loans and advances and total outstanding of special mentioned credit facilities net of interest in suspense and advances secured by cash deposits, gold or Government securities.

Accordingly, the Bank has reduced the general provision to 0.5% on total performing and special mentioned loans and advances as at 31st December 2011 (0.9% as at 31st December 2010).

#### 4.6.3 Writing-off Loans and Advances

Loan is written-off (net of any related loan loss provisions), when it determines that the loan is uncollectible. This decision is made when the borrower can no longer pay or the proceeds from collateral is not sufficient to pay back the entire obligation.

### 4.7 PROPERTY, PLANT AND EQUIPMENT

The Group applies the requirements of the Sri Lanka Accounting Standard No. 18 (Revised 2005) on 'Property, Plant and Equipment' in accounting for its own assets which are held for and used in the provision of services, for rental to others or for administrative purposes and are expected to be used more than one year.

#### 4.7.1 Basis of Recognition

Property, plant and equipment is 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.

#### 4.7.2 Measurement

An item of Property, Plant and Equipment that qualifies for recognition as an asset is initially measured at its cost of purchase directly attributable to the acquisition of the asset or construction or valuation together with any incidental expenses thereon.

The cost of self constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of the computer equipment.

#### 4.7.3 Cost Model

The Group applies Cost Model to plant and equipment and records at cost of purchase or construction together with any incidental expenses thereon, less accumulated depreciation and any accumulated impairment losses.

#### 4.7.4 Revaluation Model

Revaluation Model is applied for the entire class of freehold land and buildings. Such properties are carried at a revalued amount, being their fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Freehold land and buildings of the Bank are revalued every seven years on a roll over basis to ensure that the carrying amounts do not differ materially from the fair values at the Balance Sheet date. On revaluation of an asset, any increase in the carrying amount is credited directly to equity, under capital reserve or used to reverse a previous revaluation decrease relating to the same asset, which was debited to the Income Statement. In this circumstance, the increase is recognised as income to the extent of the previous written-down in value. Any decrease in the carrying amount is recognised as an expense in the Income Statement or debited directly to equity under revaluation reserve to the extent of any credit balance existing in the capital reserve in respect of that asset. When a revalued asset is disposed off, any revaluation surplus will be transferred directly to retained earnings.

#### 4.7.5 Subsequent Costs

The costs are recognised in the carrying amount of an asset if it is probable that the future economic benefits embodied within that cost will flow to the Group and the cost can be reliably measured.

#### 4.7.6 Restoration Costs

The cost incurred on repairs or maintenance of Property, Plant and Equipment in order to restore or maintain future economic benefits is charged to Income Statement as an expense.

**4.7.7 Derecognition**

The carrying amount of an item of Property, Plant and Equipment is derecognised on disposal 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 Income Statement in the year the item is derecognised.

When replacement costs are recognised in the carrying amount of an item of Property, Plant and Equipment, the remaining carrying amount of the replaced part is derecognised.

**4.7.8 Depreciation**

The Group provides depreciation on straight-line basis over the periods appropriate to the estimated useful lives of the different types of assets.

Provisioning for depreciation of Property, Plant and Equipment is made on pro-rata basis.

The depreciation on assets is determined using the following estimated useful lives.

| | |
|---|---|
| Freehold Building | Over 40 years |
| Freehold Refurbishment | Over 50 years |
| Office Equipment | Over 08 years |
| Furniture & Fittings | Over 08 years |
| Computer Equipment | Over 05 years |
| Motor Vehicles | Over 04 years |

The asset's residual value, useful life and method of depreciation are reviewed at each Balance Sheet date to change estimates.

**4.7.9 Capital Work-In-Progress**

Capital work-in-progress is stated at cost. These are expenses of a capital nature directly incurred in the construction of buildings, major plant and machinery and system development, awaiting capitalisation.

**4.7.10 Borrowing Costs**

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset have been capitalised as part of the cost of the asset in accordance with the Sri Lanka Accounting Standard No. 20 on 'Borrowing Costs'. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use are completed.

**4.8 LEASEHOLD PROPERTY**

Leasehold properties are recorded at carrying value in terms of the Sri Lanka Accounting Standard No.19 (Revised 2005) on 'Leases'.

The carrying value of leasehold properties are amortised over the remaining lease term or useful life of leasehold property, whichever is lower. Subsequent revaluations are not carried out for lease hold properties.

**4.9 INTANGIBLE ASSETS**

The Group applies the requirements of the Sri Lanka Accounting Standard No. 37 on 'Intangible Assets' in accounting for intangible assets.

**4.9.1 Basis of Recognition**

An intangible asset is recognised if it is probable that the future economic benefits that are attributable to the asset will flow to the entity and the cost of the assets can be measured reliably.

**4.9.2 Measurement**

**Software**

Software represents the value of computer application software licensed for use of the Group, other than software applied to the operation software system of computers. Intangible assets are carried at its cost, less accumulated amortisation and any impairment losses.

The initial costs comprise license fees paid at the time of purchase, duties/levies and also other directly attributable expenditure that are incurred in customising the software for its intended use.

**4.9.3 Subsequent Expenditure**

Expenditure incurred on software is capitalised only when it enhances and extends the economic benefits of computer software beyond their original specifications and lives and such cost is recognised as capital improvement and added to the original cost of software.

**4.9.4 Amortisation**

Intangible assets except for goodwill are amortised using the straight-line method over the estimated useful life of 05 years commencing from the date the application software is available for use or the best estimate of its useful economic life whichever is lower.

The unamortised balances of software 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.

**4.9.5 Derecognition**

Intangible assets are derecognised when it reveals that they will not generate economic benefits or circumstances indicate that the carrying value is impaired.

Gains or losses arising from derecognition of an intangible assets are measured as the difference between the net disposal proceeds and the carrying amount of the assets and are recognised in the Income Statement.

### 4.10 IMPAIRMENT OF ASSETS

The carrying amounts of the Group's assets are reviewed at each reporting date to determine whether there is objective evidence of impairment. If any such evidence exists, the carrying amount of a particular asset or portfolio of assets is reduced to the estimated recoverable amount by means of a charge to the Income Statement, in those expense categories consistent with the function of the impaired asset or portfolio of assets, except for property previously revalued where the revaluation was taken to equity. In this case, the impairment is also recognised in equity up to the amount of any previous revaluation.

The recoverable amount of an asset is the higher of its net selling price and value in use. The net selling price is the fair value of an asset or cash-generating unit, less costs to sell. In determining the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time-value of money and the risks specific to the assets. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit and then, to reduce the carrying amount of the other assets in the unit.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of the recoverable amount. Previously recognised impairment losses other than in respect of goodwill are reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment losses were recognised. The carrying amount of the asset is increased to such recoverable amount and recognised in the Income Statement unless the asset is carried at revalued amount, in which case, the reversal is treated as an increase in revaluation surplus.

## 5 LIABILITIES AND PROVISIONS

### 5.1 DEPOSITS FROM CUSTOMERS

Deposits from customers include non-interest bearing deposits, savings deposits, term deposits, 7 days call deposits and certificate of deposits. They are stated in the Balance Sheet at amounts payable. Interest paid/payable on these deposits is charged to the Income Statement.

#### 5.1.1 Deposit Insurance Scheme

In terms of the Banking Act Direction No.05 of 2010 'Insurance of Deposit Liabilities' issued on 27 September 2010 all Licensed Commercial Banks are required to insure their deposit liabilities in the Deposit Insurance Scheme operated by the Monetary Board in terms of Sri Lanka Deposit Insurance Scheme Regulations No. 1 of 2010 issued under Sections 32A to 32E of the Monetary Law Act with effect from 1st October 2010. Deposits to be insured shall include demand, time and savings deposit liabilities and exclude the following.

- Deposit liabilities to member institutions
- Deposit liabilities to Government of Sri Lanka
- Deposit liabilities to shareholders, directors, key management personnel and other related parties as defined in Banking Act Direction No.11 of 2007 on Corporate Governance for Licensed Commercial Banks
- Deposit liabilities held as collateral against any accommodation granted
- Deposit liabilities falling within the meaning of abandoned property in terms of the Banking Act and dormant deposits in terms of the Finance Companies Act funds of which have been transferred to Central Bank of Sri Lanka

Banks are required to pay a premium of 0.10% per annum (payable quarterly) on total amount of eligible deposits if the Bank maintains a capital adequacy ratio of 14% or above (as per the audited accounts) as at the end of the immediately preceding financial year and a premium of 0.125% per annum on eligible deposit liabilities for all other Licensed Commercial Banks calculated on the total amount of eligible deposits as at the end of the quarter to be payable within a period of 15 days from the end of the respective quarter.

### 5.2 BORROWED FUNDS

Borrowed funds include call money borrowings, refinance borrowings and other term borrowings from financial institutions. They are stated in the Balance Sheet at amounts payable. Interest paid/payable on these borrowings is charged to the Income Statement.

### 5.3 SECURITIES SOLD UNDER RE-PURCHASE AGREEMENTS (REPOS)

Securities sold under re-purchase agreements (REPOS) are treated as collateralised borrowings and stated at the consideration received and interest accrued thereon. These are retained in the Financial Statements and the counter-party liability is accounted for as a liability and classified under debt securities in issue.

The difference between sale and pre-determined re-purchase price is treated as interest expense and accrued evenly over the life of REPO period.

**5.4 DEBENTURES**

These represent the funds borrowed by the Group for long-term funding requirements, from the public issues and through private placements. These are recorded in the Balance Sheet at amounts expected to be payable at the Balance Sheet date.

**5.5 OTHER LIABILITIES**

Other liabilities comprise of interest, fees, expenses payable and other provisions. These liabilities are recorded at the cash value to be paid.

**5.6 DEFINED BENEFIT PLANS**

**5.6.1 Bank of Ceylon Pension Trust Fund**

The 'Bank of Ceylon Pension Trust Fund' is a funded, non-contributory, defined retirement benefit plan, operated for the payment of pensions until death to the permanent employees who have completed a minimum of ten years of continuous service with the Bank, at their retirement on reaching the retirement age on or after 55 years or on medical grounds, before reaching retirement age. The pension is computed as a percentage of the last drawn salary excluding certain allowances.

Contributions to the Pension Trust Fund are made monthly, based on the advice of a qualified actuary, currently at 56.76% of gross salary for employees who joined the Bank prior to 1st January 1996. Employees who joined the Bank on and after 1st January 1996 may contribute 20% of their gross salary to a Pension Fund in which event the Bank contributes 5%. This arrangement is tentatively pending until the formulation of a contributory pension scheme is finalised.

The fund is actuarially valued by a qualified actuary once in three years.

The Pension Trust Fund is approved by the Government and is independetly administered.

The Subsidiaries do not operate Pension Funds.

**5.6.2 Bank of Ceylon Widows'/Widowers' and Orphans' Pension Fund**

The Bank is liable to pay 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 actuarially valued by a qualified actuary once in three years. Funding for any deficit will be met by the Bank in consultation with the Actuary, Trustees and Beneficiaries. Currently, the Bank contributes a sum of Rs.456 million per annum to meet the deficit as recommended by the Actuary.

The Widows'/Widowers' and Orphans' Pension Fund is approved by the Government and is independently administered.

**5.6.3 Provision for Gratuity**

Provision has not been made in the Financial Statements for retirement gratuity payable under the Payment of Gratuity Act No.12 of 1983, to employees who joined the Bank prior to 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 these 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 the Sri Lanka Accounting Standard No.16 (Revised 2006) on 'Employee Benefits', the Bank and its Subsidiaries have calculated the post-employment benefit obligations, based on the actuarial valuation method recommended in SLAS 16 and recognised that provision in the Income Statement.

The Gratuity Liabilities are not externally funded.

**5.7 DEFINED CONTRIBUTION PLANS**

Contributions to defined contribution plans are recognised as an expense in the Income Statement as incurred.

**5.7.1 Bank of Ceylon Provident Fund**

All employees of the Bank are members of the 'Bank of Ceylon Provident Fund' to which the Bank contributes 12% of employees' monthly gross salary excluding overtime while employees contribute 8%. The Bank's Provident Fund is an approved Fund, which is independently administered.

#### 5.7.2 Employees' Provident Fund (EPF)

The Group and their 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. The relevant cost is charged to income as and when the liability arises.

#### 5.7.3 Employees' Trust Fund

All employees of the Bank and its Subsidiaries are members of the Employees' Trust Fund to which Bank/Group contributes 3% of employee's monthly gross salary excluding overtime, in terms of the Employees' Trust Fund Act No. 46 of 1980. The cost is charged to income as and when incurred.

### 5.8 PROVISIONS FOR LIABILITIES

A provision is recognised in the Balance Sheet when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligations, in accordance with the Sri Lanka Accounting Standard No. 36 on 'Provisions, Contingent Liabilities and Contingent Assets'.

## 6 INCOME STATEMENT

### 6.1 REVENUE RECOGNITION – BANK AND NON-INSURANCE BUSINESS

#### 6.1.1 Interest Income from Loans and Advances

Interest on loans and advances is accounted for in terms of the provisions of the Sri Lanka Accounting Standard No. 23 on 'Revenue Recognition and Disclosures in the Financial Statements of Banks'. Accordingly, interest income from loans and advances is recognised on an accrual basis. Interest ceases to be accrued when the recovery of principal or interest is in arrears for more than 90 days. Interest income from non-performing loans and advances is accounted for on cash basis. Interest falling due on non-performing loans and advances is credited to interest in suspense account on memorandum basis. In addition, interest accrued upto three months on such non-performing loans and advances is also eliminated from the interest income and transferred to interest in suspense.

#### 6.1.2 Lease Income

Lease income is accounted for in terms of the provisions of the Sri Lanka Accounting Standard No. 19 (Revised 2005) on 'Leases'. Accordingly, lease income is the interest component of the lease rentals of all finance leases receivable during the year. The excess to the aggregate rental receivable over the cost of the leased assets constitutes unearned income, which is taken into revenue over the term of the lease, from the month in which the lease is executed, in proportion to the remaining receivable balance of the lease. Interests on finance leases cease to be accrued when they are in arrears for more than 90 days. Thereafter, such income is recognised on cash basis.

#### 6.1.3 Interest Income from Other Sources

Interest income from securities issued by Government or Central Bank of Sri Lanka is recognised on a time proportionate basis as premia/ discounts on purchase and amortised to income on a straight-line basis over the period to maturity. Income from all other interest-bearing securities is recognised on an accrual basis.

#### 6.1.4 Commission and Fee Income

Commission and fee income mainly comprise fees receivable from customers for guarantees and other services provided by the Group, and fees for foreign and domestic payment tariff. Such income is recognised as revenue at the time of the services are provided.

#### 6.1.5 Income on Discounting of Bills of Exchange

Income on the endorsement of Bills of Exchange is recognised only when the bill is received and either issued or endorsed, and the payment under the particular instrument has been effected.

#### 6.1.6 Dividend Income

Dividend income is recognised when the right to receive a payment is established.

#### 6.1.7 Profit/Loss from Sale of Property, Plant and Equipment

Profit/loss arising from sale of Property, Plant and Equipment is recognised in the period in which the sale occurs and is classified as other income.

#### 6.1.8 Gains or Losses Arising from Investment Securities

Gains or losses arising from the sale of equity shares, units, and financial instruments, including Treasury Bills sold prior to maturity, are accounted for on the date on which the transaction takes place.

#### 6.1.9 Rental Income

Rental income is recognised on an accrual basis.

#### 6.1.10 Interest Expenses

Interest expenses are recognised on an accrual basis.

#### 6.1.11 Operating Expenses

All the expenses payable are recognised on accrual basis in the Income Statement to the period to which they relate.

### 6.2 GENERAL INSURANCE BUSINESS

#### 6.2.1 Gross Written Premiums

Premium is generally recognised as written upon inception of the policy. Upon inception of the contract, premium is recorded as written and is earned primarily on a pro-rata basis over the term of the related

policy coverage. However, for those contracts for which the period of risk differs significantly from the contract period, premium is earned over the period of risk in proportion to the amount of insurance protection provided.

**6.2.2 Reinsurance Premium**

Reinsurance premium expense is accounted for in the same accounting period as the Gross Written Premium to which it relates or in accordance with the pattern of reinsurance services received.

**6.2.3 Unearned Premium**

Unearned premium is the portion of the gross premium and reinsurance premium written in the current year in respect of risks related to subsequent periods. Unearned premium is calculated on the 1/24th basis in accordance with the rules made by the Insurance Board of Sri Lanka under the Regulation of Insurance Industry Act No. 43 of 2000.

**6.2.4 Unexpired Risk**

Provision is made where appropriate for the estimated amount required over and above unearned premiums to meet future claims and related expenses on the business in force as at the reporting date.

**6.2.5 Deferred Acquisition Expenses**

Acquisition expenses, represents commissions and other underwriting expenses, which vary with and are directly related to the production of business, are deferred and amortised over the period in which the related written premium is earned. Reinsurance Commission is also treated in the same manner with deferred acquisition costs and it is calculated on the 1/24th basis in accordance with the rules made by the Insurance Board of Sri Lanka under the Regulation of Insurance Industry Act No.43 of 2000.

**6.2.6 Premiums Receivable**

According to the Premium Payment Warranty (PPW) ruling by the Insurance Board of Sri Lanka (IBSL), all policies issued and not recovered over 60 days are cancelled.

**6.2.7 Reinsurance Receivable**

Reinsurance assets include the balances due from both insurance and reinsurance companies for paid and unpaid losses and loss adjustment expenses. Amounts recoverable from reinsures are estimated in a manner consistent with the claim liability associated with the reinsured policy. Reinsurance is recorded gross in the Balance Sheet, unless a right to offset exists.

If a reinsurance asset is impaired, the Company reduces the carrying amount accordingly and recognises a loss in the Statement of Income. A reinsurance asset is impaired if there is objective evidence, as a result of an event that occurred after the initial recognition of the reinsurance asset, that the Company may not receive amounts due to it under the terms of their contract, and the event has a reliably measurable impact on the amount that the Company will receive from the reinsurer.

**6.2.8 Claims**

Claims expense and a liability for outstanding claims are recognised in respect of direct and inwards reinsurance business. The liability covers claims Incurred But Not Reported claims (IBNR) 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, IBNRs and settlement costs using statistics, based on past experience and trends.

Actuarial valuations are performed on an annual basis. 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 adjustments to the amounts provided. Such amounts are reflected in the Financial Statements for that period. The methods used and the estimates made are reviewed regularly.

In addition to the normal insurance policies, the Company has issued the advance, bid and performance bonds during the financial period and claims expenses on those bonds have been specifically mentioned in the bond agreements with the policyholders.

**6.3 LIFE INSURANCE BUSINESS**

**6.3.1 Gross Written Premiums**

Premiums from traditional life insurance contracts, including participating contracts and annuity policies with life contingencies, are recognised as revenue when cash is received from the policyholder. Benefits and expenses are provided against such revenue to recognise profits over the estimated life of the policies. Moreover, for single premium contracts, premium is recorded as income when received with any excess profit deferred and recognise in income in a constant relationship to the insurance in-force or, for annuities, the amount of expected benefit payments.

**6.3.2 Reinsurance Premium**

Onward reinsurance premium is recognised when payable, Reinsurance recoveries are credited to match the relevant gross claims.

**6.3.3 Benefits, Losses and Expenses**

Death claims are recorded on the basis of notifications received. Surrenders, maturities and annuity payments are recorded when due. Claims payable includes direct costs of settlement. Interim payments and surrenders are accounted for only at the time of settlement.

### 6.3.4 Actuarial Valuation for Long-Term Insurance Provision

The Directors agree to the long-term insurance provision for the Company at the year end on the recommendations of the Consultant Actuary following his annual investigation of the life insurance business. The actuarial valuation takes into account all liabilities and is based on assumptions recommended by the Consultant Actuary.

## 7 ISLAMIC BANKING POLICIES

Islamic Banking operations under the Brand of AN-NOOR is conducted at Bank of Ceylon observing Shari'ah principles further in accordance with the Bank of Ceylon Ordinance and the Banking Act No. 30 of 1988 and its subsequence (Amendment) Act No. 2 of 2005. A separate unit was formed in line with the Standards set out by the Banking Advisory committee of All Ceylon Jamiyathul Ulama (ACJU) – the apex body of Muslim theologians. An independent Shari'ah Supervisory Board (SSB) consisting of renowned Shari'ah Scholars of the country has been formed to advise and ensure the compliance with Islamic principles. This expert advice is a part of governance requirement to ensure the harmonised operations under the existing regulatory, audit and accounting environment.

Shari'ah compliant products are offered through the island wide network while, it is centrally monitored at Head Office with a trained and dedicated team. Oversight is provided by the SSB with a routine audit procedure.

Asset & liabilities of the Islamic Banking Balance Sheet are at present represented by the following instruments that are also modified in line with standards.

- Murabaha to the purchase Order (Cost plus Sale)
- Ijara (Leasing)
- Wakala Istisma (Agency arrangement in Fund Management)

## 7.1 ASSETS

### 7.1.1 Ijarah

Ijarah is Shari'ah-compliant financial structure for asset financing, where the Bank purchases an asset or equipment at the request of a client and leases it to the client at a price that includes a fair return for the Bank. In Ijarah the asset remains in the ownership of the Bank (lessor). The customer (lessee) has the right to use the asset for a specific period at an agreed lease rental. The ownership of the asset is transferred to the customer on full settlement of agreed rentals.

The amount receivable under Ijara transactions are recorded in the Balance Sheet at the aggretate of Ijarah rental receivable net of unearned Ijarah income.

### 7.1.2 Bai Murabaha

Bai Murabaha is an acceptable form of credit sale under Shari'ah, where the Bank buys an asset or a commodity with free and clear title and agrees with the prospective buyer upon a sale price (including an agreed profit for the Bank) that can be made through a series of installments, or as a lump sum payment.

Amounts receivable under Bai Murabaha are recorded in the balance sheet at the aggregate of Bai Murabaha net of unearned profit.

### 7.1.3 Wakala

Wakala is a contract of agency in which one person appoints an agent to perform a certain task on his behalf on agreed terms and conditions against a certain fee. This product allows the Bank to finance working capital requirement of customers to earn commission income.

## 7.2 LIABILITIES

### 7.2.1 An-noor Current Accounts

An-noor current accounts are based on Shari'ah concept of 'qard' where the Bank accepts deposits to be paid on demand.

### 7.2.2 Mudaraba

Profit sharing deposits are mobilised under the principle of Mudaraba, which is in line with the Shari'ah Standards of Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI).

Under Mudaraba, an investment is made by one partner (depositor) and the responsibility of management on the other partner (Bank). The defined proportion of the actual profit to which each partner is entitled to be agreed upon right at the beginning of the contract on mutual consent of each other. However, in case of loss the entire loss has to be borne by the investing partner.

## 8 COMMITMENTS AND CONTINGENCIES

All discernible risks are accounted for in determining the amount of all known liabilities. The Bank's share of any contingencies and capital commitments of a Subsidiary or an Associate for which the Bank is also liable severally or otherwise is included with appropriate disclosures.

Contingent liabilities are the possible obligations whose existence will be confirmed only by uncertain future events or present obligation where the transfer of economic benefit is not probable or cannot be reliably measured. Contingent liabilities are not recognised in the Balance Sheet but are disclosed, unless they are remote.

## 9 SEGMENTAL REPORTING

Segmental information is presented in accordance with Sri Lanka Accounting Standard No. 28 (Revised 2000) on 'Segment Reporting', in respect of the Group's business.

Business segments provide products and services whose risks and returns are different from those of other business segments. These segments comprise banking, leasing, treasury and investment, property, insurance and Islamic banking.

Geographical segments provide products or services within a particular economic environment where risks and returns are different from those of other economic environments. These segments comprise domestic, off-shore banking units (branches), off-shore banking division and foreign subsidiary.

Measurement of segment results, assets and liabilities include items which are directly attributable or can be reasonably allocated to a segment. Other items are reported as unallocated.

**10 CASH FLOW STATEMENT**

The Cash Flow Statement has been prepared by using the 'Direct Method' in accordance with the Sri Lanka Accounting Standard No. 09 on 'Cash Flow Statement'. Cash and cash equivalents comprise cash, amounts due from other banks and other short-term highly-liquid investments with maturity less than 90 days from the date of acquisition.

**11 COMPARATIVE FIGURES**

Where necessary, amounts shown for the previous year have been reclassified to facilitate comparison.

**12 EVENTS AFTER THE BALANCE SHEET DATE**

Where necessary, all the material events after the Balance Sheet date have been considered and appropriate adjustments/disclosures have been made in the Financial Statements as per the Sri Lanka Accounting Standard No. 12 (Revised 2005) on 'Events After the Balance Sheet Date'.

**13 NEW ACCOUNTING STANDARDS ISSUED BUT NOT EFFECTIVE AS AT THE BALANCE SHEET DATE**

Following the convergence of Sri Lanka Accounting Standards with International Financial Reporting Standards, The Institute of Chartered Accountants of Sri Lanka has adopted a new set of Financial Reporting Standards that will apply for financial periods beginning on or after 1st January 2012. The application of these Financial Reporting Standards is substantially different to the previous Standards.

Accordingly, Sri Lanka Accounting Standards will be based on International Financial Reporting Standards (IFRS) and International Accounting Standards (IASs) formulated by International Accounting Standards Board and they will be prefixed as SLFRS or LKAS, respectively.

These Standards have not been applied for the year ended 31st December 2011. Further, the Bank carried out an impact assessment on implications of the above said Accounting Standards to assess the potential impact on the Financial Statements for the year ended 31st December 2011 which will be detailed on page 267. The Group is in the process of quantifying the impact assessment.

The Group and the Bank will adopt the new set of LKAS and SLFRS effective for financial periods from 1st January 2012.

The following illustrate the key impact areas where there are changes to accounting policies from 2012 onwards.

- SLFRS 1 First time Adoption of Sri Lanka Accounting Standards
  According to the standard Group is required to prepare and present an opening SLFRs Financial Statements at the date of transition to new SLFRS. The Group will prepare its financial statements by applying the same accounting policies in its opening new SLFRS and thereafter. Those accounting policies should comply with each new SLFRS effective from 31st December 2012.

- LKAS 1 Presentation of Financial Statements
  This standard requires to present all transactions of equity nature in the statement of changes in equity. All items of income and expenses recognised in a period should be presented in a single statement of comprehensive income or in two statements (a separate income statement and statement of comprehensive income).

- LKAS 16 Property, Plant and Equipment
  This standard requires the Group to measure an item of property, plant and equipment that qualifies for recognition as an asset at its cash price equivalent at the recognition date. If payment is deffered beyond normal credit terms, the difference between the cash price equivalent and total payment is recognised as interest over the period of credit unless such interest is capitalised in accordance with LKAS 23 (Borrowing Costs). The cost of a self-constructed asset is also determined using the same principles of an acquired asset.

According to the standard assets should be depreciated over their useful lives where the each part of an item of Property, Plant and Equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately.

- LKAS 32 Financial Instruments: Presentation
  LKAS 39 Financial Instruments: Recognition and Measurement
  SLFRS 7 Financial Instruments: Disclosure

The above standards will lead to change current method of recognissing financial assets, financial liabilities and equity instruments.

According to the standards financial assets and financial liabilities should initially be recognised at fair value.

For the purpose of measuring LKAS 39 requires the financial assets to be classified into four categories.

a) Fair value through profit or loss – measured at fair value with the gains or losses in fair value taken to income statement

b) Held to maturity investments – measured at amortised cost using the effective interest method

c) Loans and receivables – measured at amortised cost using the effective interest method

d) Available for sale financial assets – measured at fair value with the gains or losses in fair value taken to statement of changes in equity

An entity shall assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

After initial recognition, LKAS 39 requires to measure all financial liabilities at amortised cost except for certain financial liabilities which are measured at fair value.

- LKAS 18 Revenue
  This standard requires the Group to measure its revenue at the fair value of the consideration received or receivable. Standard further stresses on recognition criteria for revenue and Group is required to apply such criteria in preparation of Financial Statements.

- LKAS 23 Borrowing Costs
  This standard requires the Group to capitalise borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset, which differs from the present policy where all borrowing costs are recognised as expense.

# Notes to the Financial Statements

| For the year ended 31st December | Bank 2011 Rs ' 000 | Bank 2010 Rs ' 000 | Group 2011 Rs ' 000 | Group 2010 Rs ' 000 |
|---|---|---|---|---|
| **1. Income** | | | | |
| Interest income [Note 2] | 60,744,962 | 50,843,042 | 63,728,274 | 53,051,981 |
| Fee and commission income [Note 4] | 7,141,666 | 6,012,728 | 7,507,428 | 6,486,213 |
| Foreign exchange profit | 1,746,285 | 408,686 | 1,747,564 | 418,461 |
| Dividend income [Note 6] | 712,625 | 468,998 | 452,969 | 257,910 |
| Net gains/(loss) from investment in securities [Note 7] | (1,270,543) | 3,105,791 | (1,258,757) | 3,508,297 |
| Profit/(loss) on sale of property, plant & equipment including foreclosed properties | 28,616 | 26,775 | 33,355 | 32,494 |
| Other income | 1,284,352 | 1,117,138 | 1,848,375 | 1,492,244 |
| Income from Islamic banking operations [Note 8.1] | 120,804 | 11,755 | 120,804 | 11,755 |
| Recovery of non-performing advances [Note 13] | 859,401 | 1,367,953 | 874,687 | 1,394,539 |
| | 71,368,168 | 63,362,866 | 75,054,699 | 66,653,894 |
| **2. Interest income** | | | | |
| Customer advances | | | | |
| Bills of exchange | 1,428,929 | 1,825,130 | 1,502,191 | 1,893,923 |
| Loans & advances | 28,032,221 | 24,023,337 | 28,736,183 | 24,593,280 |
| Leasing | 1,080,622 | 724,731 | 2,924,124 | 2,081,942 |
| Trade finance | 2,001,628 | 1,510,508 | 2,023,752 | 1,536,935 |
| Pawning | 10,633,463 | 7,144,581 | 10,670,047 | 7,151,380 |
| Treasury bills, bonds & other eligible bills | 13,996,323 | 13,143,034 | 14,157,899 | 13,288,145 |
| Securities purchased under re-sale agreements | 1,905,116 | 990,515 | 1,906,627 | 1,001,487 |
| Short term funds | 553,392 | 282,908 | 694,183 | 306,591 |
| Government of Sri Lanka Restructuring Bonds | 1,025,640 | 1,025,640 | 1,025,640 | 1,025,640 |
| Government Securities | 87,628 | 172,658 | 87,628 | 172,658 |
| | 60,744,962 | 50,843,042 | 63,728,274 | 53,051,981 |

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 16.5.

| For the year ended 31st December | Bank 2011 Rs ' 000 | Bank 2010 Rs ' 000 | Group 2011 Rs ' 000 | Group 2010 Rs ' 000 |
|---|---|---|---|---|
| **3. Interest expenses** | | | | |
| Customer deposits | 24,841,197 | 22,068,470 | 25,365,940 | 22,447,222 |
| Securities sold under re-purchase agreements | 4,839,021 | 4,285,640 | 4,804,447 | 4,193,817 |
| Debentures | 3,778,814 | 2,953,869 | 3,821,293 | 3,071,549 |
| Refinance borrowings | 286,614 | 280,914 | 286,614 | 280,914 |
| Other borrowed funds | 2,483,062 | 1,611,157 | 3,105,472 | 2,020,549 |
| | 36,228,708 | 31,200,050 | 37,383,766 | 32,014,051 |
| **4. Fee and commission income** | | | | |
| Trade & other related activities | 4,471,409 | 3,733,185 | 4,549,766 | 3,983,843 |
| Travel & remmittences | 422,241 | 412,169 | 443,671 | 418,291 |
| Personal banking | 2,014,380 | 1,672,744 | 2,017,342 | 1,677,237 |
| Custodial services | 77,857 | 16,987 | 77,857 | 16,987 |
| Brokering services | 84,278 | 117,067 | 93,802 | 118,684 |
| Others | 71,501 | 60,576 | 324,990 | 271,171 |
| | 7,141,666 | 6,012,728 | 7,507,428 | 6,486,213 |
| **5. Fee and commission expenses** | | | | |
| Brokering services | 29,780 | 125,697 | 96,287 | 202,042 |
| Credit cards | 312,467 | 238,066 | 312,467 | 238,066 |
| Fees | 103,323 | 69,454 | 104,595 | 70,166 |
| Others | 60,413 | 34,081 | 101,027 | 45,734 |
| | 505,983 | 467,298 | 614,376 | 556,008 |

| For the year ended 31st December | Bank 2011 Rs ' 000 | Bank 2010 Rs ' 000 | Group 2011 Rs ' 000 | Group 2010 Rs ' 000 |
|---|---|---|---|---|
| **6. Dividend income** | | | | |
| Subsidiaries | | | | |
| - Quoted | 220,815 | 189,377 | - | - |
| - Unquoted | 31,003 | 12,666 | - | - |
| Associates | | | | |
| - Unquoted | 26,274 | 20,676 | - | - |
| Investment securities | | | | |
| - Quoted | 130,957 | 73,985 | 130,957 | 73,985 |
| - Unquoted | 9,460 | 8,652 | 9,460 | 11,048 |
| Dealing securities held for trading | | | | |
| - Quoted | 86,786 | 64,339 | 105,222 | 73,574 |
| Unit trust funds | 207,330 | 98,448 | 207,330 | 98,448 |
| Preference shares | - | 855 | - | 855 |
| | 712,625 | 468,998 | 452,969 | 257,910 |
| **7. Net gains/(loss) from investment in securities** | | | | |
| Gains/(losses) on marked to market valuation on securities held for trading | | | | |
| - Shares | (1,401,575) | 1,701,874 | (1,517,939) | 1,838,238 |
| - Treasury bills & bonds | (626,019) | 132,068 | (626,019) | 143,923 |
| Capital gains/(losses) on sale of securities held for trading | | | | |
| - Shares | 318,534 | 234,620 | 437,780 | 466,592 |
| - Debt securities | 9,751 | - | 9,751 | - |
| - Treasury bills & bonds | 428,766 | 1,037,229 | 437,670 | 1,059,544 |
| | (1,270,543) | 3,105,791 | (1,258,757) | 3,508,297 |
| **8. Other operating income** | | | | |
| Profit/(loss) on sale of property, plant & equipment including foreclosed properties | 28,616 | 26,775 | 33,355 | 32,494 |
| Other income | 1,284,352 | 1,117,138 | 1,848,375 | 1,492,244 |
| Net operating income from Islamic banking [Note 8.1] | 64,045 | 6,645 | 64,045 | 6,645 |
| | 1,377,013 | 1,150,558 | 1,945,775 | 1,531,383 |
| **8.1 Net operating income from Islamic banking** | | | | |
| Income from Islamic banking operations | 120,804 | 11,755 | 120,804 | 11,755 |
| Profit paid to investors | (56,759) | (5,110) | (56,759) | (5,110) |
| | 64,045 | 6,645 | 64,045 | 6,645 |
| **9 Operating expenses** | | | | |
| **Operating expenses include the followings :** | | | | |
| Directors' emoluments | 2,750 | 1,570 | 22,045 | 12,604 |
| Auditors' remuneration | 12,613 | 20,467 | 32,999 | 35,835 |
| Deposit insurance premium* | 501,322 | 95,952 | 503,017 | 95,952 |
| Depreciation on property, plant & equipment [ Note 31] | 815,088 | 784,993 | 949,631 | 889,616 |
| Depreciation on investment properties [ Note 27] | - | - | 3,285 | 3,074 |
| Amortisation of leasehold land [ Note 32] | 1,605 | 2,296 | 2,962 | 3,653 |
| Amortisation of intangible assets [ Note 33] | 96,270 | 54,873 | 99,944 | 59,076 |
| Professional & legal fees | 108,916 | 112,934 | 149,586 | 153,794 |
| Donation to approved charities | 5,500 | - | 6,430 | - |

* 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 2011 Rs ' 000 | Bank 2010 Rs ' 000 | Group 2011 Rs ' 000 | Group 2010 Rs ' 000 |
|---|---|---|---|---|
| **10 Personnel expenses** | | | | |
| Staff emoluments | 7,008,265 | 6,861,601 | 7,658,726 | 7,341,451 |
| Employers' contribution to defined contribution plans | | | | |
| Employees' Provident Fund | 526,079 | 526,179 | 609,181 | 582,875 |
| Employees' Trust Fund | 130,364 | 130,486 | 149,428 | 143,469 |
| Other personnel expenses | 564,449 | 525,806 | 744,713 | 663,988 |
| | 8,229,157 | 8,044,072 | 9,162,048 | 8,731,783 |

The number of persons employed by the bank as at 31st December, 2011 was 8,115 (2010 : 8,204)

| | | | | |
|---|---|---|---|---|
| **11 Staff retirement benefits** | | | | |
| Employers' contribution to defined benefit plans | | | | |
| Bank of Ceylon Pension Trust Fund | 1,608,447 | 1,730,096 | 1,608,447 | 1,730,096 |
| Bank of Ceylon Widows'/Widowers' and Orphans' Pension Fund | 456,000 | 456,000 | 456,000 | 456,000 |
| Provision for terminal gratuity | 71,817 | 80,023 | 139,624 | 112,983 |
| | 2,136,264 | 2,266,119 | 2,204,071 | 2,299,079 |

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 as 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.

**11.1 Bank of Ceylon Pension Trust Fund**

An actuarial valuation of the Pension Fund as at 31st December 2011 was carried out by M/s 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 No 16 (Revised 2006) "Employee Benefits".

The benefit is available to all permanent employees who have joined the Bank prior to 1st January 1996.

**11.1 (a)** The results of the actuarial valuation of the Pension Trust Fund is summarised as follows:

| As at 31st December | 2011 Rs ' 000 | 2010 Rs ' 000 |
|---|---|---|
| Present value of unfunded obligation | 1,589,788 | - |
| Present value of funded obligation | 46,525,530 | 41,981,000 |
| Total present value of obligations | 48,115,318 | 41,981,000 |
| Less : Fair value of plan assets | (46,525,530) | (43,907,940) |
| Present value of net obligations | 1,589,788 | (1,926,940) |
| Less : Unrecognised actuarial (gain)/loss | (3,818,678) | - |
| Liability/(surplus) for defined benefit obligations | (2,228,890) | (1,926,940) |

| As at 31st December | 2011 Rs ' 000 | 2010 Rs ' 000 |
|---|---|---|
| **11.1. (b) Plan assets consist of the following** | | |
| Bonds and securities issued by the Government of Sri Lanka | 7,137,023 | 13,588,916 |
| Debentures issued by corporates | 17,846,580 | 14,395,460 |
| Investment in equity shares | 4,833,735 | 4,708,274 |
| Fixed deposits | 13,260,000 | 8,450,000 |
| Other investments | 1,472,168 | 478,598 |
| Other receivable | 2,095,888 | 2,286,692 |
| Less : Other payable | (119,865) | - |
| | 46,525,529 | 43,907,940 |
| **11.1. (c) Movement in the present value of defined benefit obligations** | | |
| Balance at the beginning of the year | 41,981,000 | 38,377,130 |
| Actuarial (gain)/loss | 3,532,578 | 2,634,830 |
| Benefit paid by the plan | (2,847,714) | (3,439,000) |
| Current service cost | 718,128 | 570,330 |
| Interest cost | 4,731,327 | 3,837,710 |
| Balance at the end of the year | 48,115,319 | 41,981,000 |
| **11.1. (d) Movement in the fair value of plan assets** | | |
| Fair value of plan assets at the beginning of the year | 43,907,940 | 39,843,170 |
| Contribution paid into plan | 1,608,447 | 1,730,096 |
| Benefits paid by the plan | (2,847,714) | (3,439,000) |
| Actuarial gain/(loss) on plan assets | (363,302) | 1,789,808 |
| Expected return on plan assets | 4,220,159 | 3,983,866 |
| Fair value of plan assets at the end of the year | 46,525,530 | 43,907,940 |
| **11.1. (e) Actuarial assumptions** | | |
| Future salary increase | 7.0% p.a | 6.5% p.a |
| Increase in future Cost of Living Allowance (COLA) | 6.5% p.a | 6.0% p.a |
| Increase in pension in payment (Basic) | Nil | Nil |
| Rate of discounting | 10.0% p.a | 10.0% p.a |
| Rate of return on plan assets | 10.0% p.a | 10.0% p.a |
| Attrition rate | Nil | 0.4% p.a |

**11.2 Bank of Ceylon Widows'/Widowers' and Orphans' Pension Fund**

An actuarial valuation of the Pension Fund as at 31st December 2011 was carried out by M/s 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 No 16 (Revised 2006) "Employee Benefits".

**11.2 (a) The resluts of the acturial valuation of the W/W & O pension fund is summarised as follows.**

| As at 31st December | 2011 Rs ' 000 | 2010 Rs ' 000 |
|---|---|---|
| Present value of unfunded obligation | 548,728 | - |
| Present value of funded obligation | 11,565,283 | 10,138,000 |
| Total present value of obligations | 12,114,011 | 10,138,000 |
| Less : Fair value of plan assets | (11,565,283) | (10,346,890) |
| Present value of net obligations | 548,728 | (208,890) |
| Less : Unrecognised actuarial (gain)/loss | (1,248,497) | - |
| Liability/(surplus) for defined benefit obligations | (699,769) | (208,890) |

| As at 31st December | 2011 Rs ' 000 | 2010 Rs ' 000 |
|---|---|---|
| **11.2 (b) Plan assets consist of the following** | | |
| Bonds and securities issued by the Government of Sri Lanka | 803,921 | 803,921 |
| Debentures issued by corporates | 2,837,160 | 4,037,160 |
| Fixed deposits | 6,538,000 | 3,307,000 |
| Other investments | 885,762 | 1,763,188 |
| Other receivable | 570,675 | 502,534 |
| Less : Other payable | (70,235) | (66,913) |
| | 11,565,283 | 10,346,890 |
| **11.2 (c) Movement in the present value of defined benefit obligations** | | |
| Balance at the beginning of the year | 10,138,000 | 9,515,950 |
| Actuarial (gain)/loss | 1,188,241 | 33,590 |
| Benefit paid by the plan | (407,549) | (363,140) |
| Current service cost | 75,526 | - |
| Interest cost | 1,119,793 | 951,600 |
| Balance at the end of the year | 12,114,011 | 10,138,000 |
| **11.2 (d) Movement in the fair value of plan assets** | | |
| Fair value of plan assets at the beginning of the year | 10,346,890 | 9,035,020 |
| Contribution paid into plan | 217,952 | 225,830 |
| Special contribution paid by the bank | 456,000 | 456,000 |
| Benefits paid by the plan | (407,549) | (363,140) |
| Actuarial gain/(loss) on plan assets | (60,256) | 89,680 |
| Expected return on plan assets | 1,012,246 | 903,500 |
| Fair value of plan assets at the end of the year | 11,565,283 | 10,346,890 |
| **11.2 (e) Actuarial assumptions** | | |
| Future salary increase | 7.0% p.a | 6.5% p.a |
| Increase in future Cost of Living Allowance (COLA) | 6.5% p.a | 6.0% p.a |
| Increase in widows'/widowers' and orphans' pension in payment (Basic) | Nil | Nil |
| Rate of discounting | 10.0% p.a | 10.0% p.a |
| Rate of return on plan assets | 10.0% p.a | 10.0% p.a |
| Attrition rate | Nil | 1.0%&0.4%p.a |

**11.3 Gratuity Fund**

Provision is made to meet the Bank's obligation to pay Gratuity in terms of the Payment of Gratuity Act No 12 of 1983, to all those employees who have joined after 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 2011 was carried out by M/s Piyal S Goonetilleke, a firm of professional actuaries.

The valuation has been done using the "Projected Unit Credit Method", which is recommended in the Sri Lanka Accounting Standard No 16 (Revised 2006) "Employee Benefits".

The results of the actuarial valuation of the Gratuity Fund indicates that Rs.248.29 Million as at 31st December 2011. (2010 Rs.186.89 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 :

| As at 31st December | 2010 Rs ' 000 | 2009 Rs ' 000 |
|---|---|---|
| **11.3 (a) Actuarial assumptions** | | |
| Future gross salary increase | 7.0% p.a | 6.5% p.a |
| Increase in future Cost of Living Allowance (COLA) | 6.5% p.a | 6.0% p.a |
| Increase in gratuity in payment (Basic) | 10.0% p.a | 10.0% p.a |
| Rate of discounting | 10.0% p.a | 10.0% p.a |
| Attrition rate | Nil | 1.0% & 0.4% |

| For the year ended 31st December | Bank 2011 Rs ' 000 | Bank 2010 Rs ' 000 | Group 2011 Rs ' 000 | Group 2010 Rs ' 000 |
|---|---|---|---|---|
| **12. Provision for loan losses** | | | | |
| Specific provision - loans and advances | 639,651 | 1,066,497 | 669,921 | 1,082,639 |
| - pawning advances | 12,016 | 18,806 | 12,016 | 18,806 |
| - credit card receivable | 13,569 | (38,193) | 13,569 | (38,193) |
| | 665,236 | 1,047,110 | 695,506 | 1,063,252 |
| Specific provision - bills of exchange | 1,622 | (13,628) | 1,239 | (15,538) |
| - leasing facilities | 167,116 | 32,684 | 220,359 | 148,712 |
| - foreclosed properties | 20,359 | 5,712 | 20,359 | 5,712 |
| Total specific provision for loan losses | 854,333 | 1,071,878 | 937,463 | 1,202,138 |
| General provision (reversed)/provided - regular advances | (391,484) | 490,924 | (388,640) | 497,944 |
| - bills of exchange | (3,559) | (1,470) | (3,569) | 3,121 |
| - leasing facilities | (25,671) | (1,438) | 19,274 | 22,794 |
| Total general provision for loan losses | (420,714) | 488,016 | (372,935) | 523,859 |
| Total provision for loan losses | 433,619 | 1,559,894 | 564,528 | 1,725,997 |
| **13. Recovery of non performing advances** | | | | |
| Recovery of loans written off in previous years | 81,095 | 70,866 | 96,381 | 97,452 |
| Reversal of provisions due to recovery of non performing advances | 778,306 | 1,297,087 | 778,306 | 1,297,087 |
| | 859,401 | 1,367,953 | 874,687 | 1,394,539 |
| **14 Reversal of provision for fall in value of investment in related companies** | | | | |
| Reversal during the year | 817,130 | - | - | - |
| Provision charge for the year | (1,670) | - | - | - |
| | 815,460 | - | - | - |
| **15 Share of profit of Associate companies before tax** | | | | |
| Ceybank Asset Management Limited | - | - | 47,897 | 26,331 |
| Lanka Securities (Private) Limited | - | - | 85,011 | 116,606 |
| Mireka Capital Land (Private) Limited | - | - | 66,293 | 75,773 |
| MBSL Savings Bank Limited | - | - | - | (10,440) |
| Southern Development Financial Company Limited | - | - | 1,087 | (495) |
| Transnational Lanka Records Solutions (Private) Limited | - | - | 8,427 | 5,123 |
| | - | - | 208,715 | 212,898 |

| For the year ended 31st December | Bank 2011 Rs ' 000 | Bank 2010 Rs ' 000 | Group 2011 Rs ' 000 | Group 2010 Rs ' 000 |
|---|---|---|---|---|
| **16 Income tax expense** | | | - | - |
| The breakup of income tax expense is as follows: | | | | |
| **16.1 Bank** | | | | |
| **Domestic operations** | | | | |
| Income tax on profit of domestic operations of the bank | 3,094,653 | 2,465,896 | 3,094,653 | 2,465,896 |
| **Off-shore Banking Division (OBD)** | | | | |
| Income tax on profits of on-shore & off-shore operations of OBD | 708,387 | - | 708,387 | - |
| Income tax on profits of on-shore operations of OBD | - | 946,236 | - | 946,236 |
| Income tax on profits of off-shore operations of OBD | - | 74,252 | - | 74,252 |
| **Overseas branch operations** | | | | |
| Income tax on profits of the branch in Male' | 220,441 | 103,373 | 220,441 | 103,373 |
| Income tax on profits of the branch in Chennai | 66,743 | 86,779 | 66,743 | 86,779 |
| (Over)/under provision for taxation in respect of prior years | (491,331) | (37,413) | (488,542) | 40,043 |
| | 3,598,893 | 3,639,123 | 3,601,682 | 3,716,579 |
| **16.2 Subsidiary companies** | | | | |
| **Income tax on profit of :** | | | | |
| Ceylease Financial Services Limited | - | - | 9,603 | 5,431 |
| Ceybank Holiday Homes (Private) Limited | - | - | 255 | 877 |
| BOC Management & Support Services (Private) Limited | - | - | 51 | 64 |
| BOC Property Development & Management (Private) Limited | - | - | 5,807 | 13,006 |
| BOC Travels (Private) Limited | - | - | 4,452 | 4,711 |
| Bank of Ceylon (UK) Limited | - | - | 17,795 | - |
| Hotels Colombo (1963) Limited | - | - | 11,610 | 8,382 |
| MBSL Insurance Company Limited | - | - | 3,255 | 5,516 |
| Merchant Bank of Sri Lanka PLC | - | - | 69,099 | 105,640 |
| Merchant Credit of Sri Lanka Limited | - | - | 27,429 | 27,648 |
| Property Development PLC | - | - | 133,743 | 167,361 |
| | - | - | 283,099 | 338,636 |
| **16.3 Associate companies** | | | | |
| **Share of income tax on profit of** | | | | |
| Ceybank Asset Management Limited | - | - | 15,531 | 12,297 |
| Lanka Securities (Private) Limited | - | - | 24,041 | 42,353 |
| Mireka Capital Land (Private) Limited | - | - | 6,274 | 2,236 |
| Transnational Lanka Records Solutions (Private) Limited | - | - | 139 | 795 |
| | - | - | 45,985 | 57,681 |
| Deferred tax (released)/charged [Note 38.2] | 426,077 | 48,134 | 433,579 | 49,393 |
| | 4,024,970 | 3,687,257 | 4,364,345 | 4,162,289 |

**16.4 Reconciliation of accounting profit and income tax expense is as follows :**

| For the year ended 31st December | Tax rate 2011 | Tax rate 2010 | Bank 2011 Rs' 000 | Bank 2010 Rs' 000 | Group 2011 Rs' 000 | Group 2010 Rs' 000 |
|---|---|---|---|---|---|---|
| Accounting profit before tax | | | 15,545,765 | 10,052,569 | 15,851,208 | 11,075,485 |
| **Tax effect at the statutory income tax rates** | | | | | | |
| Domestic operations of the bank | 28.0% | 35.0% | 3,644,427 | 2,497,910 | 3,644,427 | 2,497,910 |
| On - shore & off-shore banking operations of the off - shore banking division of the bank | 28.0% | - | 708,387 | - | 708,387 | - |
| On - shore banking operations of the off - shore banking division of the bank | - | 35.0% | - | 946,236 | - | 946,236 |
| Off - shore banking operations of the off - shore banking division of the bank | - | 20.0% | - | 74,252 | - | 74,252 |
| **Foreign branch operations** | | | | | | |
| Male | 25.0% | 25.0% | 220,441 | 103,373 | 220,441 | 103,373 |
| Chennai | 40.0% | 40.0% | 66,743 | 86,779 | 66,743 | 86,779 |
| Subsidiaries [Note 16.4 (a)] | | | - | - | 336,978 | 300,341 |
| | | | 4,639,998 | 3,708,550 | 4,976,976 | 4,008,891 |
| Tax effect of deductible expenses and exempt income | | | (3,341,938) | (3,544,769) | (4,228,194) | (4,398,874) |
| Tax effect of non deductible expenses | | | 2,792,164 | 3,461,232 | 3,624,540 | 4,349,499 |
| Share of income tax expenses of Associates | | | - | - | 45,985 | 57,681 |
| Social responsibility levy at 1.5% of income tax | | | - | 51,523 | - | 55,656 |
| (Over)/Under provision of taxes in respect of prior years | | | (491,331) | (37,413) | (488,541) | 40,043 |
| Deffered tax (reversal)/charge | | | 426,077 | 48,134 | 433,579 | 49,393 |
| Income tax expense reported in the income statement | | | 4,024,970 | 3,687,257 | 4,364,345 | 4,162,289 |

**16.4 (a) Income tax rates which were applicable for Subsidiaries in 2010 & 2011 are as follows :**

| | 2011 | 2010 |
|---|---|---|
| **Subsidiaries** | | |
| 1 Property Development PLC | 28.0% | 35.0% |
| 2 Merchant Bank of Sri Lanka PLC | 28.0% | 35.0% |
| 3 BOC Management & Support Services (Private) Limited | 12.0% | 15.0% |
| 4 BOC Property Development & Management (Private) Limited | 10.0% | 35.0% |
| 5 BOC Travels (Private) Limited | 12.0% | 15.0% |
| 6 Hotels Colombo (1963) Limited | 15.0% | 15.0% |
| 7 Merchant Credit of Sri Lanka Limited | 28.0% | 35.0% |
| 8 Ceylease Financial Services Limited | 28.0% | 35.0% |
| 9 Ceybank Holiday Homes (Private) Limited | | |
| - Hotel business | 12.0% | 15.0% |
| - Other activities | 28.0% | 35.0% |
| 10 MBSL Insurance Company Limited | 28.0% | 35.0% |
| 11 Bank of Ceylon (UK) Limited | 26.5% | 28.0% |
| 12 MBSL Savings Bank Limited | 28.0% | 35.0% |
| 13 Koladeniya Hydropower (Private) Limited | - | - |

(As per the agreement with Board of Investment (BOI), Koladeniya Hydropower (Private) Limited is exempted from taxation for years 2010 & 2011)

**16.5 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 ammendment 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 & the group on the secondary market transations in Government securities for the year has been grossed up in the financial statements and the resulting notional tax credit amounted to sum of Rs.792,934,530/- (2010 : Rs.659,630,077) for the Bank and Rs.814,273,472/- (2010 : Rs.685,026,871) for the Group.

## 17 Earnings per share (EPS) & Dividends per share (DPS)

### 17.1 Earnings per share

As per the Sri Lanka Accounting Standard No 34 (Revised 2005) "Earning 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.

| For the year ended 31st December | Bank 2011 Rs ' 000 | Bank 2010 Rs ' 000 | Group 2011 Rs ' 000 | Group 2010 Rs ' 000 |
|---|---|---|---|---|
| Profit attributable to ordinary shareholders of the parent | 11,520,795 | 6,365,312 | 11,362,720 | 6,760,310 |
| Weighted average number of ordinary shares in issue | 5,000,000 | 5,000,000 | 5,000,000 | 5,000,000 |
| Basic earnings per share (Rs.) | 2,304.16 | 1,273.06 | 2,272.54 | 1,352.06 |

### 17.2 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 outstanding during the year after adjusting for all potential diluted weighted average number of ordinary shares (the denominator).

| For the year ended 31st December | 2011 Rs ' 000 | 2010 Rs ' 000 | 2011 Rs ' 000 | 2010 Rs ' 000 |
|---|---|---|---|---|
| Profit attributable to ordinary shareholders of the parent | 11,520,795 | 6,365,312 | 11,362,720 | 6,760,310 |
| Weighted average number of ordinary shares in issue | 5,000,000 | 5,000,000 | 5,000,000 | 5,000,000 |
| Weighted average number of ordinary shares outstanding during the year | 5,000,000 | 5,000,000 | 5,000,000 | 5,000,000 |
| Weighted average number of ordinary shares under option duirng the year | - | - | - | - |
| Weighted average number of ordinary shares after adjusitng for dilution | 5,000,000 | 5,000,000 | 5,000,000 | 5,000,000 |
| Diluted earnings per share (Rs.) | 2,304.16 | 1,273.06 | 2,272.54 | 1,352.06 |

### 17.3 Dividends per share

Dividends Per Share is calculated by dividing the total profit distributed to shareholders (the numerator) by the weighted average number of ordinary shares in issue (the denominator) during the year.

| For the year ended 31st December | 2011 Rs ' 000 | 2010 Rs ' 000 | 2011 Rs ' 000 | 2010 Rs ' 000 |
|---|---|---|---|---|
| Total profit distributed to shareholders during the year | 3,846,410 | 3,096,410 | 3,846,410 | 3,096,410 |
| Weighted average number of ordinary shares in issue | 5,000,000 | 5,000,000 | 5,000,000 | 5,000,000 |
| Dividends per share (Rs.) | 769.28 | 619.28 | 769.28 | 619.28 |

### 17.3 (a) Dividends

Under the agreement between the Bank and the Government of Sri Lanka, on re-capitalising and granting of autonomy to the Bank of Ceylon, the Government reserves the option of allowing the Bank to retain any level of profit after tax.

All profits after deduction of provision for taxation, provision for loan losses and any such portion for reserves, if any, as the Government shall determine, will be issued as dividends to the Government at the end of each year.

Accordingly a sum of Rs.3,846 million has been declared by the Bank for the Government of SriLanka (shareholder) as dividends for the year 2011. (2010 : Rs 3,096 million).

| As at 31st December | Bank 2011 Rs ' 000 | Bank 2010 Rs ' 000 | Group 2011 Rs ' 000 | Group 2010 Rs ' 000 |
|---|---|---|---|---|
| **18 Cash and short term funds** | | | | |
| Coins, notes held in local currency | 10,961,702 | 8,044,372 | 10,997,644 | 8,079,260 |
| Coins, notes held in foreign currency | 882,005 | 715,208 | 906,220 | 715,208 |
| Balances with other banks | 6,827,204 | 5,344,223 | 6,885,444 | 4,960,389 |
| | 18,670,911 | 14,103,803 | 18,789,308 | 13,754,857 |
| **19 Balances with Central Banks** | | | | |
| Central Bank of Sri Lanka [Note 19.1] | 27,710,603 | 22,933,090 | 27,710,603 | 22,933,090 |
| Reserve Bank of India [Note 19.2] | 294,597 | 393,699 | 294,597 | 393,699 |
| Maldives Monetary Authority [Note 19.3] | 2,422,255 | 2,567,677 | 2,422,255 | 2,567,677 |
| | 30,427,455 | 25,894,466 | 30,427,455 | 25,894,466 |

**19.1** 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 2011 was 8.00% (2010 : 7.00%) of Sri Lanka Rupee deposit liabilities.
There is no reserve requirement for foreign currency deposit liabilities maintained by domestic branches and the deposit liability of the Off-shore Banking Division in Sri Lanka (2010 : Nil).

**19.2** 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% (31st December 2010 : 6.0%) with the Reserve Bank of India, being the minimum cash reserve requirement, as at 31st December 2011 on its demand and term deposits liabilities,

**19.3** Regulations issued by Maldives Monetary Authority (MMA), requires that 50% of minimum required capital of the branch in Maldives be maintained in a deposit with MMA (2010 : 50%). In addition a reserve of 25% on the deposit liability (2010 : 25%) should also be maintained with the MMA.

## 20 Treasury bills, bonds and other eligible bills

Treasury bills, bonds and other eligible bills are debt securities issued by the Government of Sri Lanka and the respective Government authorities where the overseas branches are located.

Treasury bills, bonds and other eligible bills maturing within the period of less than twelve months have been classified as follows :

| As at 31st December | Bank 2011 Rs ' 000 | Bank 2010 Rs ' 000 | Group 2011 Rs ' 000 | Group 2010 Rs ' 000 |
|---|---|---|---|---|
| Gross treasury bills & bonds held for trading | 49,068,283 | 27,685,647 | 49,913,749 | 28,655,330 |
| Gain/(loss) on marked to market valuation | (253,916) | 62,012 | (253,916) | 62,012 |
| Net teasury bills & bonds held for trading | 48,814,367 | 27,747,659 | 49,659,833 | 28,717,342 |
| Treasury bills, bonds & other eligible bills held to maturity | 8,450,723 | 17,631,354 | 8,450,723 | 17,631,354 |
| Treasury bills on account of Investment Fund Account (Note 43.1) | 1,498,511 | - | 1,501,161 | - |
| | 58,763,601 | 45,379,013 | 59,611,717 | 46,348,696 |

The details of the treasury bills & bonds that have been pledged as security for liabilities at the year end are disclosed in Note No: 46

## 21 Dealing securities

| As at 31st December | Bank | | | | | |
|---|---|---|---|---|---|---|
| | 2011 | | | 2010 | | |
| Listed equity securities | No of ordinary shares | Market price per share Rs. | Market value Rs '000 | No of ordinary shares | Market price per share Rs. | Market value Rs '000 |
| **Bank Finance & Insurance** | | | | | | |
| Central Finance Company PLC | 138,683 | 203.00 | 28,153 | - | - | - |
| Chilaw Finance Limited | 987,800 | 22.40 | 22,127 | - | - | - |
| Commercial Bank of Ceylon PLC - Voting | 1,802,934 | 100.00 | 180,293 | 16,100 | 259.90 | 4,184 |
| Commercial Bank of Ceylon PLC - Non Voting | 42,998 | 74.50 | 3,203 | 199,300 | 162.00 | 32,287 |
| DFCC Bank | 1,055,000 | 112.90 | 119,110 | 800,000 | 200.20 | 160,160 |
| Hatton National Bank PLC - Voting | 1,202,850 | 151.30 | 181,991 | 1,031,600 | 399.90 | 412,537 |
| Hatton National Bank PLC - Non Voting | 1,187,550 | 83.20 | 98,804 | 439,900 | 214.60 | 94,402 |
| 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 | 346,800 | 127.80 | 44,321 |
| Lanka Ventures PLC | 46,300 | 38.20 | 1,769 | - | - | - |
| LB Finance PLC | 24,800 | 138.60 | 3,437 | 38,400 | 261.90 | 10,057 |
| Nations Trust Bank PLC | 285,600 | 57.00 | 16,279 | 953,500 | 83.40 | 79,522 |
| 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 | 629,800 | 271.90 | 171,243 |
| SMB Leasing PLC | 500,000 | 1.90 | 950 | - | - | - |
| Softlogic Capital Limited | 96,000 | 34.80 | 3,341 | - | - | - |
| Softlogic Finance PLC | 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 | - | - | - |
| | | | 937,884 | | | 1,008,713 |
| **Beverage Food & Tobacco** | | | | | | |
| Bairaha Farms PLC | 34,900 | 210.30 | 7,339 | - | - | - |
| Cargills (Ceylon) PLC | 809,600 | 203.00 | 164,349 | 400,000 | 195.40 | 78,160 |
| Coco Lanka PLC | - | - | - | 69,900 | 64.40 | 4,502 |
| Distilleries Company of Sri Lanka PLC | 306,900 | 147.10 | 45,145 | 405,700 | 177.90 | 72,174 |
| HVA Foods PLC | 20,000 | 38.70 | 774 | - | - | - |
| Lanka Milk Foods (CWE) PLC | 716,600 | 107.10 | 76,748 | - | - | - |
| The Lion Brewery Ceylon PLC | 289,900 | 190.00 | 55,081 | 531,700 | 185.10 | 98,418 |
| | | | 349,436 | | | 253,254 |
| **Chemical & Pharmaceuticals** | | | | | | |
| Chemanex PLC | 100,000 | 120.00 | 12,000 | - | - | - |
| CIC Holdings PLC - Voting | 600,100 | 111.50 | 66,911 | 208,100 | 140.70 | 29,280 |
| CIC Holdings PLC - Non Voting | 141,400 | 77.00 | 10,888 | 30,300 | 99.90 | 3,027 |
| Haycarb PLC | 176,100 | 155.00 | 27,296 | 164,400 | 168.50 | 27,701 |
| Lankem Ceylon PLC | 51,900 | 260.00 | 13,494 | - | - | - |
| | | | 130,589 | | | 60,008 |
| **Construction & Engineering** | | | | | | |
| Colombo Dockyard PLC | 394,000 | 238.80 | 94,087 | 100,000 | 275.00 | 27,500 |
| MTD Walkers PLC | 537,600 | 38.40 | 20,644 | - | - | - |
| | | | 114,731 | | | 27,500 |

**21 Dealing securities** (Contd.)

| As at 31st December | Bank | | | | | |
|---|---|---|---|---|---|---|
| | 2011 | | | 2010 | | |
| **Listed equity securities** | **No of ordinary shares** | **Market price per share Rs.** | **Market value Rs '000** | **No of ordinary shares** | **Market price per share Rs.** | **Market value Rs '000** |
| **Diversified Holdings** | | | | | | |
| Aitken Spence PLC | 1,522,400 | 120.40 | 183,297 | 212,300 | 169.90 | 36,070 |
| Carsons Cumberbatch PLC | 24,500 | 541.20 | 13,259 | 43,200 | 513.20 | 22,170 |
| C T Holdings PLC | 174,927 | 179.00 | 31,312 | 310,000 | 182.70 | 56,637 |
| Free Lanka Capital Holdings PLC | 200,000 | 3.10 | 620 | - | - | - |
| Hayleys PLC | - | - | - | 157,100 | 345.00 | 54,199 |
| Hemas Holdings PLC | 229,600 | 33.00 | 7,577 | 30,000 | 44.50 | 1,335 |
| John Keells Holdings PLC | 160,100 | 170.20 | 27,249 | 1,080,235 | 298.40 | 322,342 |
| Richard Pieris and Company PLC | 4,832,300 | 9.00 | 43,491 | 8,734,900 | 10.50 | 91,716 |
| Softlogic Holdings PLC | 545,300 | 18.00 | 9,815 | - | - | - |
| Sunshine Holdings PLC | 626,800 | 29.00 | 18,177 | - | - | - |
| The Colombo Fort Land & Building Company PLC | 101,100 | 49.00 | 4,954 | - | - | - |
| Vallibel One PLC | 1,265,400 | 23.80 | 30,117 | - | - | - |
| | | | 369,868 | | | 584,469 |
| **Footware & Textiles** | | | | | | |
| ODEL PLC | 197,400 | 32.30 | 6,376 | - | - | - |
| | | | 6,376 | | | - |
| **Health Care** | | | | | | |
| Asiri Hospital Holdings PLC | - | - | - | 100,000 | 8.80 | 880 |
| Asiri Surgical Hospital PLC | 179,200 | 7.90 | 1,416 | 179,200 | 8.70 | 1,559 |
| Ceylon Hospitals PLC (Durdans) | 6 | 85.00 | 1 | 6 | 102.00 | 1 |
| Nawaloka Hospitals PLC | 130,700 | 3.90 | 510 | 3,119,800 | 3.70 | 11,543 |
| The Lanka Hospital Corporation PLC | 2,500 | 52.10 | 130 | - | - | - |
| | | | 2,057 | | | 13,983 |
| **Hotels & Travels** | | | | | | |
| Aitken Spence Hotel Holdings PLC | 1,625,600 | 69.50 | 112,979 | 541,000 | 105.70 | 57,184 |
| Amaya Leisure PLC | 102,000 | 81.50 | 8,313 | - | - | - |
| Asian Hotels & Properties PLC | 2,232,400 | 76.40 | 170,555 | 502,700 | 194.00 | 97,524 |
| Citrus Leisure PLC | 100,000 | 50.10 | 5,010 | - | - | - |
| Eden Hotel Lanka PLC | 609,600 | 38.00 | 23,165 | 392,300 | 57.60 | 22,596 |
| Hotel Services (Ceylon) PLC | - | - | - | 575,800 | 26.00 | 14,971 |
| John Keells Hotels PLC | - | - | - | 800,600 | 20.00 | 16,012 |
| Marawila Resorts PLC | 50,000 | 10.10 | 505 | - | - | - |
| Taj Lanka Hotels PLC | 447,400 | 39.00 | 17,449 | 550,000 | 71.70 | 39,435 |
| Tangerine Beach Hotels PLC | 50,000 | 81.00 | 4,050 | - | - | - |
| The Fortress Resorts PLC | 1,461,100 | 23.00 | 33,605 | - | - | - |
| The Lighthouse Hotel PLC | 100,000 | 53.50 | 5,350 | 100,000 | 63.00 | 6,300 |
| Trans Asia Hotels PLC | 477,200 | 79.50 | 37,937 | - | - | - |
| | | | 418,918 | | | 254,022 |
| **Information Technology** | | | | | | |
| PC House PLC | - | - | - | 182,700 | 11.30 | 2,065 |
| | | | - | | | 2,065 |

**21 Dealing securities** (Contd.)

| As at 31st December | Bank | | | | | |
|---|---|---|---|---|---|---|
| | 2011 | | | 2010 | | |
| **Listed equity securities** | **No of ordinary shares** | **Market price per share Rs.** | **Market value Rs '000** | **No of ordinary shares** | **Market price per share Rs.** | **Market value Rs '000** |
| **Investment Trust** | | | | | | |
| Ascot Holdings PLC | 28,000 | 160.20 | 4,486 | - | - | - |
| Ceylon Guardian Investment Trust PLC | 66,700 | 255.00 | 17,009 | - | - | - |
| Ceylon Investment PLC | 442,000 | 110.00 | 48,620 | - | - | - |
| Environmental Resources Investments PLC | 240,000 | 40.10 | 9,624 | - | - | - |
| Renuka Holdings PLC | 76,723 | 53.90 | 4,135 | - | - | - |
| | | | 83,874 | | | - |
| **Land & property** | | | | | | |
| Overseas Realty (Ceylon) PLC | 300,000 | 14.00 | 4,200 | - | - | - |
| | | | 4,200 | | | - |
| **Manufacturing** | | | | | | |
| Abans Electricals PLC | 14,900 | 190.10 | 2,832 | - | - | - |
| ACL Cables PLC | 15,000 | 74.00 | 1,110 | 379,900 | 85.10 | 32,329 |
| ACME Printing & Packaging PLC | 276,500 | 20.70 | 5,724 | - | - | - |
| Ceylon Grain Elevators PLC | 71,800 | 105.50 | 7,575 | - | - | - |
| Chevron Lubricants Lanka PLC | 1,272,200 | 170.00 | 216,274 | 768,200 | 159.50 | 122,528 |
| Dipped Products PLC | 1,292,400 | 106.50 | 137,641 | 882,400 | 119.70 | 105,623 |
| Hayleys Exports PLC | 145,300 | 36.00 | 5,231 | - | - | - |
| Kelani Tyres PLC | 582,500 | 38.50 | 22,426 | 50,000 | 49.30 | 2,465 |
| Lanka Cement PLC | 9,583,809 | 19.80 | 189,759 | 9,583,809 | 28.00 | 268,347 |
| Lanka Ceramic PLC | 33,500 | 85.00 | 2,848 | - | - | - |
| Lanka Floortiles PLC | 973,200 | 80.30 | 78,148 | 210,000 | 134.30 | 28,203 |
| Lanka Walltiles PLC | 160,040 | 94.50 | 15,124 | 38,900 | 138.90 | 5,403 |
| Orient Garments PLC | 348,900 | 31.10 | 10,851 | - | - | - |
| Piramal Glass Ceylon PLC | 2,288,600 | 7.90 | 18,080 | 1,000,000 | 7.80 | 7,800 |
| Richard Pieris Exports PLC | 10,000 | 27.50 | 275 | - | - | - |
| Royal Ceramics Lanka PLC | 259,000 | 141.50 | 36,649 | 403,000 | 304.90 | 122,875 |
| Sierra Cables PLC | 2,400 | 4.20 | 10 | 436,400 | 4.30 | 1,876 |
| Textured Jersey Lanka PLC | 893,600 | 10.20 | 9,115 | - | - | - |
| Tokyo Cement Company (Lanka) PLC - Voting | 121,275 | 44.00 | 5,336 | 75 | 55.00 | 4 |
| Tokyo Cement Company (Lanka) PLC - Non Voting | 652,200 | 30.50 | 19,892 | - | - | - |
| | | | 784,900 | | | 697,453 |
| **Motors** | | | | | | |
| Colonial Motors PLC | 35,600 | 400.60 | 14,261 | - | - | - |
| Diesel & Motor Engineering PLC | 36,356 | 1,302.10 | 47,339 | 10,000 | 973.50 | 9,735 |
| Sathosa Motors PLC | 16,000 | 260.00 | 4,160 | - | - | - |
| United Motors Lanka PLC | 28,900 | 146.00 | 4,219 | - | - | - |
| | | | 69,979 | | | 9,735 |
| **Oil Palms** | | | | | | |
| The Bukit Darah PLC | 6,000 | 1,030.00 | 6,180 | - | - | - |
| | | | 6,180 | | | - |

**21 Dealing securities** (Contd.)

| As at 31st December | Bank | | | | | |
|---|---|---|---|---|---|---|
| | 2011 | | | 2010 | | |
| **Listed equity securities** | **No of ordinary shares** | **Market price per share Rs.** | **Market value Rs '000** | **No of ordinary shares** | **Market price per share Rs.** | **Market value Rs '000** |
| **Plantations** | | | | | | |
| Agalawatte Plantations PLC | 45,600 | 49.80 | 2,271 | 13,600 | 63.00 | 857 |
| Balangoda Plantations PLC | 30,000 | 28.80 | 864 | 103,100 | 57.40 | 5,918 |
| Elpitiya Plantations PLC | 700 | 24.00 | 17 | - | - | - |
| Horana Plantations PLC | 513,000 | 37.80 | 19,391 | 390,000 | 36.40 | 14,196 |
| Kahawatte Plantations PLC | 931,500 | 29.50 | 27,479 | 200,000 | 28.00 | 5,600 |
| Kegalle Plantations PLC | 50,600 | 105.00 | 5,313 | 117,300 | 161.80 | 18,979 |
| Kotagala Plantations PLC | 64,500 | 64.30 | 4,147 | 9,400 | 116.90 | 1,099 |
| Namunukula Plantations PLC | 80,000 | 65.00 | 5,200 | 66,400 | 119.10 | 7,908 |
| Watawala Plantations PLC | 350,100 | 14.20 | 4,971 | - | - | - |
| | | | 69,653 | | | 54,557 |
| **Power & Energy** | | | | | | |
| Hemas Power PLC | 1,117,700 | 26.70 | 29,843 | 1,226,800 | 29.50 | 36,191 |
| Lanka IOC PLC | 233,300 | 18.50 | 4,316 | 233,300 | 18.90 | 4,409 |
| Laugfs Gas PLC - Voting | 1,400 | 38.00 | 53 | 1,232,700 | 25.90 | 31,927 |
| Laugfs Gas PLC - Non Voting | 3,212,400 | 23.00 | 73,885 | 350,400 | 18.50 | 6,482 |
| Panasian Power PLC | 1,029,200 | 4.30 | 4,426 | 79,200 | 3.00 * | 238 |
| Vallibel Power Erathna PLC | 850,000 | 8.00 | 6,800 | - | - | - |
| | | | 119,323 | | | 79,247 |
| **Stores & Supplies** | | | | | | |
| Hunters & Company Limited | 27,100 | 590.00 | 15,989 | - | - | - |
| | | | 15,989 | | | - |
| **Telecommunications** | | | | | | |
| Dialog Axiata PLC | 3,503,300 | 7.80 | 27,326 | 6,400 | 11.90 | 76 |
| Sri Lanka Telecom PLC | 214,000 | 48.00 | 10,272 | 214,000 | 49.00 | 10,486 |
| | | | 37,598 | | | 10,562 |
| **Trading** | | | | | | |
| Brown & Company PLC | 189,700 | 234.80 | 44,542 | 716,000 | 246.90 | 176,780 |
| Ceylon & Foreign Trades PLC | 830,100 | 9.40 | 7,803 | - | - | - |
| | | | 52,345 | | | 176,780 |
| Total dealing securities | | | 3,573,900 | | | 3,232,348 |

* Represents the allotment price of the shares

**21 Dealing securities** (Contd.)

| As at 31st December | Group | | | | | |
|---|---|---|---|---|---|---|
| | 2011 | | | 2010 | | |
| **Listed equity securities** | **No of ordinary shares** | **Market price per share Rs.** | **Market value Rs '000** | **No of ordinary shares** | **Market price per share Rs.** | **Market value Rs '000** |
| **Bank Finance & Insurance** | | | | | | |
| Amana Takaful PLC | 36,900 | 2.40 | 89 | 195,800 | 3.00 | 587 |
| Asia Capital PLC | 1,100 | 64.40 | 71 | 12,200 | 47.00 | 573 |
| Central Finance Company PLC | 138,683 | 203.00 | 28,153 | - | - | - |
| Ceylinco Insurance PLC | - | - | - | 14,300 | 381.00 | 5,448 |
| Chilaw Finance Limited | 991,100 | 22.40 | 22,201 | - | - | - |
| Commercial Bank of Ceylon PLC - Voting | 1,817,534 | 100.00 | 181,753 | 30,400 | 259.90 | 7,901 |
| Commercial Bank of Ceylon PLC - Non Voting | 174,524 | 74.50 | 13,002 | 199,300 | 162.00 | 32,287 |
| DFCC Bank | 1,155,900 | 112.90 | 130,501 | 861,800 | 200.20 | 172,532 |
| First Capital Holdings PLC | 27,800 | 16.10 | 448 | 760,000 | 19.00 | 14,440 |
| Hatton National Bank PLC - Voting | 1,202,850 | 151.30 | 181,991 | 1,037,100 | 399.90 | 414,736 |
| Hatton National Bank PLC - Non Voting | 1,313,700 | 83.20 | 109,300 | 524,300 | 214.60 | 112,515 |
| HNB Assurance PLC | 432,666 | 56.90 | 24,619 | - | - | - |
| Janashakshi Insurance Company PLC | 518,800 | 15.00 | 7,782 | 805,100 | 16.00 | 12,882 |
| Lanka Orix Finance PLC | 20,000 | 8.10 | 162 | - | - | - |
| Lanka Orix Leasing Company PLC | 1,158,900 | 83.30 | 96,536 | 356,800 | 127.80 | 45,599 |
| Lanka Ventures PLC | 686,700 | 38.20 | 26,232 | - | - | - |
| LB Finance PLC | 24,800 | 138.60 | 3,437 | 38,400 | 261.90 | 10,057 |
| Merchant Bank of Sri Lanka PLC | - | - | - | 17,000 | 45.80 | 779 |
| Nanda Investments and Finance Limited | 27,500 | 12.30 | 338 | - | - | - |
| National Development Bank PLC | 150,100 | 138.10 | 20,729 | 14,600 | 349.50 | 5,103 |
| Nations Trust Bank PLC - Voting | 347,000 | 57.00 | 19,779 | 1,026,000 | 83.40 | 85,568 |
| Nations Trust Bank PLC - Non Voting | - | - | - | 20,000 | 57.60 | 1,152 |
| Pan Asia Banking Corporation PLC | 1,300,066 | 25.40 | 33,022 | 2,833 | 52.00 | 147 |
| People's Finance PLC | 200 | 35.70 | 7 | - | - | - |
| People's Leasing Company PLC | 235,000 | 16.00 | 3,760 | - | - | - |
| People's Merchant PLC | 42,500 | 15.70 | 667 | 6,200 | 29.40 | 182 |
| Sampath Bank PLC | 557,151 | 195.00 | 108,644 | 629,800 | 271.90 | 171,243 |
| Seylan Bank PLC - Voting | 292,566 | 67.60 | 19,777 | 118,500 | 97.80 | 11,589 |
| Seylan Bank PLC - Non Voting | 92,500 | 30.80 | 2,849 | 41,700 | 49.00 | 2,043 |
| Singer Finance (Lanka) PLC | 700 | 27.00 | 19 | 2,600 | 15.00 | 39 |
| SMB Leasing PLC - Voting | 500,000 | 1.90 | 950 | 86,800 | 1.90 | 165 |
| SMB Leasing PLC - Non Voting | - | - | - | 1,600,000 | 1.00 | 1,600 |
| SMB Leasing PLC - Share Warrants (015)* | 1,897,600 | 0.70 | 1,328 | 2,000,000 | 0.80 | 1,600 |
| SMB Leasing PLC - Share Warrants (016)* | 1,340,000 | 0.70 | 938 | 1,600,000 | 0.60 | 960 |
| Softlogic Capital Limited | 96,000 | 34.80 | 3,341 | - | - | - |
| Softlogic Finance PLC | 153,600 | 44.90 | 6,897 | - | - | - |
| The Finance Company PLC | 100,000 | 40.50 | 4,050 | - | - | - |
| Union Bank of Colombo PLC | 149,500 | 19.00 | 2,841 | - | - | - |
| Vallibel Finance PLC | 345,100 | 43.30 | 14,943 | - | - | - |
| | | | 1,071,156 | | | 1,111,727 |
| **Beverage Food & Tobacco** | | | | | | |
| Bairaha Farms PLC | 59,100 | 210.30 | 12,429 | - | - | - |
| Cargills (Ceylon) PLC | 809,600 | 203.00 | 164,349 | 400,000 | 195.40 | 78,160 |
| Coco Lanka PLC | 3,500 | 53.70 | 188 | 75,005 | 64.40 | 4,830 |
| Distilleries Company of Sri Lanka PLC | 387,900 | 147.10 | 57,060 | 535,500 | 177.90 | 95,265 |
| HVA Foods PLC | 20,000 | 38.70 | 774 | - | - | - |
| Kotmale Holdings PLC | - | - | - | 228,200 | 43.20 | 9,858 |
| Lanka Milk Foods (CWE) PLC | 716,600 | 107.10 | 76,748 | 81,903 | 113.00 | 9,255 |
| Raigam Wayamba Salterns PLC | - | - | - | 47,500 | 4.00 | 190 |
| The Lion Brewery Ceylon PLC | 407,200 | 190.00 | 77,368 | 674,700 | 185.10 | 124,887 |
| Three Acre Farms PLC | 7,200 | 103.80 | 747 | - | - | - |
| | | | 389,663 | | | 322,445 |

* Merchant Bank of Sri Lanka PLC & Merchant Credit of Sri Lanka Limited have paid for SMB Leasing PLC warrents (SEMB. W0015 & SEMB. W0016) conversion, but they have not been converted in to shares as at 31st December 2011.

**21 Dealing securities** (Contd.)

| As at 31st December | Group | | | | | |
|---|---|---|---|---|---|---|
| | 2011 | | | 2010 | | |
| **Listed equity securities** | **No of ordinary shares** | **Market price per share Rs.** | **Market value Rs '000** | **No of ordinary shares** | **Market price per share Rs.** | **Market value Rs '000** |
| **Chemical & Pharmaceuticals** | | | | | | |
| Chemanex PLC | 101,000 | 120.00 | 12,120 | 1,000 | 122.30 | 122 |
| CIC Holdings PLC - Voting | 600,100 | 111.50 | 66,911 | 253,100 | 140.70 | 35,611 |
| CIC Holdings PLC - Non Voting | 151,400 | 77.00 | 11,658 | 39,900 | 99.90 | 3,986 |
| Haycarb PLC | 206,300 | 155.00 | 31,977 | 194,600 | 168.50 | 32,790 |
| Lankem Ceylon PLC | 51,900 | 260.00 | 13,494 | - | - | - |
| | | | 136,160 | | | 72,509 |
| **Construction & Engineering** | | | | | | |
| Colombo Dockyard PLC | 400,100 | 238.80 | 95,544 | 113,400 | 275.00 | 31,185 |
| Lankem Developments PLC | 5,500 | 16.40 | 90 | - | - | - |
| MTD Walkers PLC | 537,600 | 38.40 | 20,644 | - | - | - |
| | | | 116,278 | | | 31,185 |
| **Diversified Holdings** | | | | | | |
| Aitken Spence PLC | 1,528,500 | 120.40 | 184,031 | 212,300 | 169.90 | 36,070 |
| Browns Investments PLC | 3,071,800 | 4.20 | 12,902 | - | - | - |
| Carsons Cumberbatch PLC | 24,500 | 541.20 | 13,259 | 43,200 | 513.20 | 22,170 |
| C T Holdings PLC | 194,927 | 179.00 | 34,892 | 342,200 | 182.70 | 62,520 |
| Expo Lanka Holdings PLC | 100,000 | 9.00 | 900 | - | - | - |
| Free Lanka Capital Holdings PLC | 1,399,100 | 3.10 | 4,337 | - | - | - |
| Hayleys PLC | - | - | - | 157,100 | 345.00 | 54,199 |
| Hemas Holdings PLC | 584,300 | 33.00 | 19,282 | 33,900 | 44.50 | 1,509 |
| John Keells Holdings PLC | 266,801 | 170.20 | 45,410 | 1,284,847 | 298.40 | 383,398 |
| Richard Peiris and Company PLC | 4,953,600 | 9.00 | 44,582 | 10,589,100 | 10.50 | 111,185 |
| Softlogic Holdings PLC | 545,300 | 18.00 | 9,815 | - | - | - |
| Sunshine Holdings PLC | 626,800 | 29.00 | 18,177 | - | - | - |
| The Colombo Fort Land & Building Company PLC | 194,000 | 49.00 | 9,506 | - | - | - |
| Vallibel One PLC | 1,536,400 | 23.80 | 36,566 | - | - | - |
| | | | 433,659 | | | 671,051 |
| **Footware & Textiles** | | | | | | |
| Ceylon Leather Products PLC | 17,000 | 99.60 | 1,693 | 184,300 | 92.60 | 17,066 |
| Hayleys MGT Knitting Mills PLC | - | - | - | 65,600 | 32.00 | 2,099 |
| ODEL PLC | 217,400 | 32.30 | 7,022 | - | - | - |
| | | | 8,715 | | | 19,165 |
| **Health Care** | | | | | | |
| Asiri Hospital Holdings PLC | - | - | - | 395,200 | 8.80 | 3,478 |
| Asiri Surgical Hospital PLC | 179,200 | 7.90 | 1,416 | 219,100 | 8.70 | 1,906 |
| Ceylon Hospitals PLC (Durdans) | 6 | 85.00 | 1 | 6 | 102.00 | 1 |
| Nawaloka Hospitals PLC | 2,130,700 | 3.90 | 8,310 | 5,589,800 | 3.70 | 20,682 |
| The Lanka Hospital Corporation PLC | 2,500 | 52.10 | 130 | - | - | - |
| | | | 9,857 | | | 26,067 |

**21 Dealing securities** (Contd.)

| As at 31st December | Group | | | | | |
|---|---|---|---|---|---|---|
| | 2011 | | | 2010 | | |
| **Listed equity securities** | **No of ordinary shares** | **Market price per share Rs.** | **Market value Rs '000** | **No of ordinary shares** | **Market price per share Rs.** | **Market value Rs '000** |
| **Hotels & Travels** | | | | | | |
| Aitken Spence Hotel Holdings PLC | 1,639,600 | 69.50 | 113,952 | 541,000 | 105.70 | 57,184 |
| Amaya Leisure PLC | 118,714 | 81.50 | 9,675 | 4,214 | 91.00 | 383 |
| Asian Hotels & Properties PLC | 2,385,300 | 76.40 | 182,237 | 571,600 | 194.00 | 110,890 |
| Ceylon Hotels Corporation PLC | - | - | - | 55,100 | 36.50 | 2,011 |
| Citrus Leisure PLC | 100,000 | 50.10 | 5,010 | - | - | - |
| Dolphin Hotels PLC | - | - | - | 22,800 | 61.20 | 1,395 |
| Eden Hotel Lanka PLC | 740,700 | 38.00 | 28,147 | 688,100 | 57.60 | 39,634 |
| Galadari Hotels (Lanka) PLC | - | - | - | 209,100 | 35.80 | 7,486 |
| Hotel Services (Ceylon) PLC | 2,680,250 | 20.30 | 54,409 | 3,602,950 | 26.00 | 93,677 |
| Hotel Sigiriya PLC | 1,800 | 74.00 | 133 | - | - | - |
| John Keells Hotels PLC | 269,900 | 13.50 | 3,644 | 2,087,233 | 20.00 | 41,745 |
| Mahaweli Reach Hotels PLC | - | - | - | 8,100 | 35.00 | 284 |
| Marawila Resorts PLC | 50,050 | 10.10 | 506 | 11,300 | 14.80 | 167 |
| Palm Garden Hotels PLC | 2,300 | 231.80 | 533 | - | - | - |
| Taj Lanka Hotels PLC | 447,400 | 39.00 | 17,449 | 550,000 | 71.70 | 39,435 |
| Tangerine Beach Hotels PLC | 50,000 | 81.00 | 4,050 | - | - | - |
| The Fortress Resorts PLC | 1,461,100 | 23.00 | 33,605 | 123,700 | 20.60 | 2,548 |
| The Lighthouse Hotel PLC | 104,900 | 53.50 | 5,612 | 104,600 | 63.00 | 6,590 |
| Trans Asia Hotels PLC | 477,200 | 79.50 | 37,937 | - | - | - |
| | | | 496,899 | | | 403,429 |
| **Information Technology** | | | | | | |
| E-Channelling PLC | - | - | - | 13,300 | 22.00 | 293 |
| PC House PLC | - | - | - | 665,800 | 11.30 | 7,524 |
| | | | - | | | 7,817 |
| **Investment Trust** | | | | | | |
| Ascot Holdings PLC | 28,000 | 160.20 | 4,486 | - | - | - |
| Ceylon Guardian Investment Trust PLC | 71,200 | 255.00 | 18,156 | - | - | - |
| Ceylon Investment PLC | 442,000 | 110.00 | 48,620 | - | - | - |
| Environmental Resources Investments PLC | 381,300 | 40.10 | 15,290 | 35,000 | 85.90 | 3,007 |
| Renuka Holdings PLC | 503,888 | 53.90 | 27,160 | - | - | - |
| | | | 113,712 | | | 3,007 |
| **Land & Property** | | | | | | |
| Colombo Land & Development Company PLC | 100,000 | 54.90 | 5,490 | 53,500 | 19.40 | 1,038 |
| C T Land Development PLC | 8,100 | 28.90 | 234 | - | - | - |
| East West Properties PLC | 12,700 | 25.20 | 320 | 1,200 | 12.90 | 15 |
| Equity One PLC | 30,900 | 50.90 | 1,573 | 40,600 | 56.00 | 2,274 |
| Equity Two PLC | - | - | - | 18,200 | 24.30 | 442 |
| On'ally Holdings PLC | 8,700 | 72.70 | 632 | - | - | - |
| Overseas Realty (Ceylon) PLC | 1,155,200 | 14.00 | 16,173 | 403,500 | 15.30 | 6,174 |
| Seylan Developments PLC | - | - | - | 100,000 | 16.80 | 1,680 |
| Touchwood Investment PLC | 62,500 | 21.20 | 1,325 | 25,000 | 28.30 | 708 |
| York Arcade Holdings PLC | - | - | - | 45,800 | 24.10 | 1,104 |
| | | | 25,747 | | | 13,435 |

**21 Dealing securities** (Contd.)

| As at 31st December | Group | | | | | |
|---|---|---|---|---|---|---|
| | 2011 | | | 2010 | | |
| **Listed equity securities** | **No of ordinary shares** | **Market price per share Rs.** | **Market value Rs '000** | **No of ordinary shares** | **Market price per share Rs.** | **Market value Rs '000** |
| **Manufacturing** | | | | | | |
| Abans Electricals PLC | 24,400 | 190.10 | 4,638 | - | - | - |
| ACL Cables PLC | 15,300 | 74.00 | 1,132 | 384,800 | 85.10 | 32,746 |
| ACME Printing & Packaging PLC | 276,500 | 20.70 | 5,724 | - | - | - |
| Bogala Graphite Lanka PLC | 12,100 | 39.00 | 472 | - | - | - |
| Central Industries PLC | 240,100 | 84.30 | 20,240 | 431,700 | 90.00 | 38,853 |
| Ceylon Grain Elevators PLC | 71,800 | 105.50 | 7,575 | - | - | - |
| Chevron Lubricants Lanka PLC | 1,272,200 | 170.00 | 216,274 | 768,200 | 159.50 | 122,528 |
| Dipped Products PLC | 1,292,400 | 106.50 | 137,641 | 882,400 | 119.70 | 105,623 |
| Hayleys Exports PLC | 147,700 | 36.00 | 5,317 | 62,600 | 41.00 | 2,567 |
| Kelani Tyres PLC | 582,500 | 38.50 | 22,426 | 50,000 | 49.30 | 2,465 |
| Lanka Cement PLC | 9,644,209 | 19.80 | 190,955 | 9,644,209 | 28.00 | 270,038 |
| Lanka Ceremic PLC | 33,500 | 85.00 | 2,848 | - | - | - |
| Lanka Floortiles PLC | 973,200 | 80.30 | 78,148 | 212,400 | 134.30 | 28,525 |
| Lanka Walltiles PLC | 160,040 | 94.50 | 15,124 | 40,900 | 138.90 | 5,681 |
| Laxapana Batteries PLC | 1,300 | 11.80 | 15 | - | - | - |
| Orient Garments PLC | 353,900 | 31.10 | 11,006 | - | - | - |
| Pelwatta Sugar Industries PLC | 68,400 | 23.50 | 1,607 | 30,800 | 27.40 | 844 |
| Piramal Glass Ceylon PLC | 3,374,900 | 7.90 | 26,662 | 1,200,000 | 7.80 | 9,360 |
| Printcare PLC | 25,000 | 36.90 | 923 | - | - | - |
| Richard Pieris Exports PLC | 10,000 | 27.50 | 275 | - | - | - |
| Royal Ceramics Lanka PLC | 269,000 | 141.50 | 38,064 | 403,000 | 304.90 | 122,875 |
| Sierra Cables PLC | 92,400 | 4.20 | 388 | 436,400 | 4.30 | 1,876 |
| Textured Jersey Lanka PLC | 954,400 | 10.20 | 9,735 | - | - | - |
| Tokyo Cement Company (Lanka) PLC - Voting | 126,875 | 44.00 | 5,583 | 6,325 | 55.00 | 348 |
| Tokyo Cement Company (Lanka) PLC - Non Voting | 702,600 | 30.50 | 21,429 | 7,500 | 40.30 | 302 |
| | | | 824,201 | | | 744,631 |
| **Motors** | | | | | | |
| Colonial Motors PLC | 35,600 | 400.60 | 14,261 | - | - | - |
| Diesel & Motor Engineering PLC | 36,356 | 1,302.10 | 47,339 | 10,000 | 973.50 | 9,735 |
| Sathosa Motors PLC | 37,900 | 260.00 | 9,854 | - | - | - |
| United Motors Lanka PLC | 38,900 | 146.00 | 5,679 | - | - | - |
| | | | 77,133 | | | 9,735 |
| **Oil Palms** | | | | | | |
| The Bukit Darah PLC | 6,000 | 1,030.00 | 6,180 | - | - | - |
| | | | 6,180 | | | |
| **Plantations** | | | | | | |
| Agalawatte Plantations PLC | 49,000 | 49.80 | 2,440 | 13,600 | 63.00 | 857 |
| Balangoda Plantations PLC | 52,800 | 28.80 | 1,521 | 124,600 | 57.40 | 7,152 |
| Elpitiya Plantations PLC | 700 | 24.00 | 17 | - | - | - |
| Horana Plantations PLC | 524,600 | 37.80 | 19,830 | 390,000 | 36.40 | 14,196 |
| Kahawatte Plantations PLC | 931,500 | 29.50 | 27,479 | 200,002 | 28.00 | 5,600 |
| Kegalle Plantations PLC | 50,600 | 105.00 | 5,313 | 117,900 | 161.80 | 19,076 |
| Kotagala Plantations PLC | 64,500 | 64.30 | 4,147 | 21,700 | 116.90 | 2,537 |
| Maskeliya Plantations PLC | 4,000 | 20.00 | 80 | 4,000 | 27.80 | 111 |
| Namunukula Plantations PLC | 80,000 | 65.00 | 5,200 | 66,400 | 119.10 | 7,908 |
| Watawala Plantations PLC | 350,100 | 14.20 | 4,971 | - | - | - |
| | | | 70,998 | | | 57,437 |

**21 Dealing securities** (Contd.)

| As at 31st December | Group | | | | | |
|---|---|---|---|---|---|---|
| | 2011 | | | 2010 | | |
| **Listed equity securities** | **No of ordinary shares** | **Market price per share Rs.** | **Market value Rs '000** | **No of ordinary shares** | **Market price per share Rs.** | **Market value Rs '000** |
| **Power & Energy** | | | | | | |
| Hemas Power PLC | 1,195,900 | 26.70 | 31,931 | 1,241,800 | 29.50 | 36,633 |
| Lanka IOC PLC | 233,300 | 18.50 | 4,316 | 341,600 | 18.90 | 6,456 |
| Laugfs Gas PLC - Voting | 92,400 | 38.00 | 3,511 | 1,405,700 | 25.90 | 36,408 |
| Laugfs Gas PLC - Non Voting | 3,212,400 | 23.00 | 73,885 | 587,300 | 18.50 | 10,865 |
| Panasian Power PLC | 1,029,200 | 4.30 | 4,426 | 1,985,000 | 3.00 * | 5,955 |
| Vallibel Power Erathna PLC | 850,000 | 8.00 | 6,800 | - | - | - |
| | | | 124,869 | | | 96,317 |
| **Services** | | | | | | |
| Lake House Printers and Publishers PLC | 3,600 | 135.50 | 488 | - | - | - |
| | | | 488 | | | - |
| **Stores & Supplies** | | | | | | |
| Hunters & Company Limited | 27,100 | 590.00 | 15,989 | - | - | - |
| | | | 15,989 | | | - |
| **Telecommunications** | | | | | | |
| Dialog Axiata PLC | 3,536,400 | 7.80 | 27,584 | 110,000 | 11.90 | 1,309 |
| Sri Lanka Telecom PLC | 214,000 | 48.00 | 10,272 | 238,900 | 49.00 | 11,706 |
| | | | 37,856 | | | 13,015 |
| **Trading** | | | | | | |
| Browns & Company PLC | 199,600 | 234.80 | 46,866 | 815,300 | 246.90 | 201,297 |
| Ceylon & Foreign Trades PLC | 2,071,600 | 9.40 | 19,473 | 100,000 | 7.70 | 770 |
| C. W. Mackie PLC | 33,100 | 89.50 | 2,962 | 300 | 85.10 | 26 |
| Tess Agro PLC | - | - | - | 139,900 | 2.70 | 378 |
| | | | 69,301 | | | 202,471 |
| Total dealing securities | | | 4,028,861 | | | 3,805,443 |

* Represents the allotment price of the shares

| As at 31st December | Bank | | Group | |
|---|---|---|---|---|
| | **2011 Rs ' 000** | **2010 Rs ' 000** | **2011 Rs ' 000** | **2010 Rs ' 000** |
| **22 Placements with and loans to other banks** | | | | |
| Banks in Sri Lanka | | | | |
| - Local currency | - | - | 190,000 | - |
| - Foreign currency | 1,708,575 | 8,502,256 | 1,708,575 | 8,502,256 |
| Banks abroad | | | | |
| - Foreign currency | 12,836,154 | 34,177,542 | 16,913,312 | 39,271,130 |
| | 14,544,729 | 42,679,798 | 18,811,887 | 47,773,386 |
| **23 Treasury bonds maturing after one year** | | | | |
| Treasury bonds held to maturity | 32,093,496 | 51,296,744 | 33,404,939 | 51,749,203 |
| Treasury bonds on account of Investment Fund Account (IFA) | - | - | 92,250 | - |
| | 32,093,496 | 51,296,744 | 33,497,189 | 51,749,203 |

| As at 31st December | Bank 2011 Rs ' 000 | Bank 2010 Rs ' 000 | Group 2011 Rs ' 000 | Group 2010 Rs ' 000 |
|---|---|---|---|---|
| **24 Loans and advances to customers** | | | | |
| **24.1 Bills of exchange** | | | | |
| Export bills | 4,728,341 | 5,923,519 | 4,728,341 | 5,923,519 |
| Import bills | 12,483,654 | 9,852,601 | 12,483,654 | 9,852,601 |
| Local bills | - | - | 658,022 | 645,682 |
| | 17,211,995 | 15,776,120 | 17,870,017 | 16,421,802 |
| Specific provision for bills of exchange [Note 24.1 (b)] | (152,774) | (156,452) | (164,473) | (168,534) |
| General provision for bills of exchange [Note 24.1 (c)] | (140,689) | (144,248) | (154,654) | (158,223) |
| Interest in suspense [Note 24.1 (d)] | (161,674) | (79,517) | (161,674) | (79,517) |
| **Net bills of exchange** | 16,756,858 | 15,395,903 | 17,389,216 | 16,015,528 |
| **24.1(a) Analysis of net bills of exchange** | | | | |
| Not later than 3 months | 14,818,848 | 15,307,197 | 15,450,980 | 15,920,399 |
| Later than 3 months and not later than 12 months | 1,938,010 | 88,706 | 1,938,236 | 95,129 |
| | 16,756,858 | 15,395,903 | 17,389,216 | 16,015,528 |
| **24.1(b) Movement in specific provision for bills of exchange** | | | | |
| Balance as at 1st January | 156,452 | 150,371 | 168,534 | 164,363 |
| Amount provided/(reversed) during the year | 1,622 | (13,628) | 1,239 | (15,538) |
| Adjustments for exchange rate variance | (3,093) | - | (3,093) | - |
| Adjustments/transfers | (2,207) | 19,709 | (2,207) | 19,709 |
| Balance as at 31st December | 152,774 | 156,452 | 164,473 | 168,534 |
| **24.1(c) Movement in general provision for bills of exchange** | | | | |
| Balance as at 1st January | 144,248 | 145,718 | 158,223 | 155,102 |
| Amount provided/(reversed) during the year | (3,559) | (1,470) | (3,569) | 3,121 |
| Balance as at 31st December | 140,689 | 144,248 | 154,654 | 158,223 |
| **24.1(d) Movement in interest in suspense of bills of exchange** | | | | |
| Balance as at 1st January | 79,517 | 548,125 | 79,517 | 548,125 |
| Interest suspended during the year | 82,157 | 12,448 | 82,157 | 12,448 |
| Amount reversed during the year | - | (481,056) | - | (481,056) |
| Balance as at 31st December | 161,674 | 79,517 | 161,674 | 79,517 |

**24 Loans and advances to customers** (Contd.)

| As at 31st December | Bank 2011 Rs ' 000 | Bank 2010 Rs ' 000 | Group 2011 Rs ' 000 | Group 2010 Rs ' 000 |
|---|---|---|---|---|
| **24.2 Loans and advances** | | | | |
| **Sri Lanka rupee loans and advances** | | | | |
| Overdrafts | 68,153,424 | 65,418,200 | 68,153,424 | 65,418,200 |
| Term loans | 267,689,720 | 164,341,648 | 271,151,084 | 166,113,749 |
| Trust receipts | 11,048,840 | 8,785,954 | 11,048,840 | 8,785,954 |
| Staff loans | 18,096,607 | 16,465,422 | 18,265,586 | 16,544,211 |
| Loans under schemes | 15,430,188 | 11,917,213 | 15,605,521 | 12,204,217 |
| Foreclosed properties [Note 24.2 (e)] | 440,779 | 365,845 | 440,779 | 365,845 |
| | 380,859,558 | 267,294,282 | 384,665,234 | 269,432,176 |
| **Foreign currency loans and advances** | | | | |
| Overdrafts | 6,646,200 | 5,899,030 | 6,885,191 | 5,976,977 |
| Term loans | 127,305,879 | 87,250,968 | 127,705,777 | 87,283,723 |
| Trust receipts | 13,856,142 | 9,369,752 | 13,856,142 | 9,369,752 |
| Staff loans | 3,623 | 4,334 | 7,833 | 9,549 |
| Foreclosed properties [Note 24.2 (e)] | 457,958 | 448,309 | 457,958 | 448,309 |
| | 148,269,802 | 102,972,393 | 148,912,901 | 103,088,310 |
| Total loans & advances | 529,129,360 | 370,266,675 | 533,578,135 | 372,520,486 |
| Specific provision for loans & advances[Note 24.2 (b)] | (6,445,408) | (6,539,181) | (6,542,000) | (6,589,140) |
| General provision for loans & advances[Note 24.2 (c)] | (1,805,321) | (2,204,669) | (1,844,922) | (2,232,972) |
| Interest in suspense [Note 24.2 (d)] | (8,149,554) | (8,156,736) | (8,166,110) | (8,164,806) |
| Provision for foreclosed properties [Note 24.2 (f)] | (290,392) | (268,173) | (290,392) | (268,173) |
| **Net loans and advances** | 512,438,685 | 353,097,916 | 516,734,711 | 355,265,395 |
| **24.2(a) Analysis of net loans and advances** | | | | |
| Not later than 1 year | 351,576,459 | 219,528,496 | 353,098,668 | 220,391,054 |
| Later than 1 year and not later than 5 years | 91,914,398 | 77,046,369 | 94,371,373 | 78,339,431 |
| Later than 5 years | 68,947,828 | 56,523,051 | 69,264,670 | 56,534,910 |
| | 512,438,685 | 353,097,916 | 516,734,711 | 355,265,395 |
| **24.2 (b) Movement in specific provision for loans & advances** | | | | |
| Balance as at 1st January | 6,539,181 | 7,595,463 | 6,589,140 | 7,629,954 |
| Adjustments for exchange rate variance | 21,359 | (64,329) | 21,440 | (64,329) |
| | 6,560,540 | 7,531,134 | 6,610,580 | 7,565,625 |
| Amounts provided during the year [Note 12] | 665,236 | 1,047,110 | 695,506 | 1,063,252 |
| Amounts recovered | (755,980) | (1,279,222) | (755,980) | (1,279,896) |
| Amounts reversed due to loans written off | (68,753) | (502,599) | (68,753) | (502,599) |
| Adjustments/transfers | 44,365 | (257,242) | 60,647 | (257,242) |
| Balance as at 31st December | 6,445,408 | 6,539,181 | 6,542,000 | 6,589,140 |
| **24.2 (c) Movement in general provision for loans & advances** | | | | |
| Balance as at 1st January | 2,204,669 | 1,719,846 | 2,232,972 | 1,741,129 |
| Adjustments for exchange rate variance | (7,864) | (6,131) | (7,864) | (6,131) |
| | 2,196,805 | 1,713,715 | 2,225,108 | 1,734,998 |
| Amounts provided/(reversed) during the year | (391,484) | 490,924 | (388,640) | 497,944 |
| Adjustments/transfers | - | 30 | 8,454 | 30 |
| Balance as at 31st December | 1,805,321 | 2,204,669 | 1,844,922 | 2,232,972 |

## 24 Loans and advances to customers (Contd.)

| As at 31st December | Bank 2011 Rs ' 000 | Bank 2010 Rs ' 000 | Group 2011 Rs ' 000 | Group 2010 Rs ' 000 |
|---|---|---|---|---|
| **24.2 (d) Movement in interest in suspense of loans & advances** | | | | |
| Balance as at 1st January | 8,156,736 | 7,766,138 | 8,164,806 | 7,776,751 |
| Interest suspended during the year | 1,112,804 | 1,172,174 | 1,118,629 | 1,175,216 |
| Amount reversed during the year | (707,280) | (82,972) | (707,514) | (86,729) |
| Amount reversed due to loans written off | (412,706) | (809,899) | (412,706) | (811,727) |
| Adjustments/transfers | - | 111,295 | 2,895 | 111,295 |
| Balance as at 31st December | 8,149,554 | 8,156,736 | 8,166,110 | 8,164,806 |
| **24.2 (e) Movement in foreclosed properties** | | | | |
| Balance as at 1st January | 814,154 | 445,876 | 814,154 | 445,876 |
| Additions during the year | 109,974 | 431,204 | 109,974 | 431,204 |
| Disposals during the year | (35,050) | (61,109) | (35,050) | (61,109) |
| Adjustments for exchange rate variance | 9,649 | (1,817) | 9,649 | (1,817) |
| Adjustments/transfers | 10 | - | 10 | |
| Balance as at 31st December | 898,737 | 814,154 | 898,737 | 814,154 |
| **24.2 (f) Movement in provision for foreclosed properties** | | | | |
| Balance as at 1st January | 268,173 | 32,796 | 268,173 | 32,796 |
| Amount provided during the year | 20,359 | 5,712 | 20,359 | 5,712 |
| Amount reversed during the year | (2,474) | (2,345) | (2,474) | (2,345) |
| Adjustments for exchange rate variance | 4,987 | - | 4,987 | - |
| Adjustments/transfers | (653) | 232,010 | (653) | 232,010 |
| Balance as at 31st December | 290,392 | 268,173 | 290,392 | 268,173 |
| **24.3 Lease rentals receivable** | | | | |
| **24.3 (a) Lease rentals receivable - within one year** | | | | |
| Gross lease rentals receivable | 4,338,975 | 2,414,982 | 10,391,763 | 6,676,887 |
| Prepaid rentals | (11,860) | (16,480) | (47,298) | (68,454) |
| | 4,327,115 | 2,398,502 | 10,344,465 | 6,608,433 |
| Unearned income | (990,430) | (366,977) | (2,475,727) | (1,463,102) |
| Specific provision for lease rentals receivable [Note 24.3 (d)] | (89,055) | (143,562) | (216,193) | (362,524) |
| General provision for lease rentals receivable [Note 24.3 (e)] | (4,781) | (21,019) | (100,416) | (63,320) |
| Interest in suspense [Note 24.3 (f)] | (16,401) | (29,009) | (98,361) | (158,581) |
| VAT on suspense | (1,475) | - | (1,475) | - |
| Net lease rentals receivable | 3,224,973 | 1,837,935 | 7,452,293 | 4,560,906 |
| **24.3 (b) Lease rentals receivable - one to five years** | | | | |
| Gross lease rentals receivable | 14,281,483 | 3,152,224 | 22,194,766 | 8,849,640 |
| Prepaid rentals | (35,339) | (26,229) | (78,339) | (44,007) |
| | 14,246,144 | 3,125,995 | 22,116,427 | 8,805,633 |
| Unearned income | (2,827,984) | (566,315) | (4,352,324) | (1,689,220) |
| Specific provision for lease rentals receivable [Note 24.3 (d)] | (188,155) | (84,589) | (342,334) | (203,729) |
| General provision for lease rentals receivable [Note 24.3 (e)] | (16,767) | (25,826) | (77,430) | (72,836) |
| Interest in suspense [Note 24.3 (f)] | (38,252) | (61,430) | (101,629) | (96,104) |
| VAT on suspense | (5,336) | - | (5,336) | - |
| Net lease rentals receivable | 11,169,650 | 2,387,835 | 17,237,374 | 6,743,744 |

**24 Loans and advances to customers** (Contd.)

| As at 31st December | Bank 2011 Rs ' 000 | Bank 2010 Rs ' 000 | Group 2011 Rs ' 000 | Group 2010 Rs ' 000 |
|---|---|---|---|---|
| **24.3 (c) Lease rentals receivable - after five years** | | | | |
| Gross lease rentals receivable | 105,116 | 170,395 | 105,116 | 170,628 |
| Prepaid rentals | (1) | (63) | (1) | (63) |
| | 105,115 | 170,332 | 105,115 | 170,565 |
| Unearned income | (36,133) | (167,868) | (36,133) | (167,872) |
| Specific provision for lease rentals receivable [Note 24.3 (d)] | (7,031) | - | (7,031) | - |
| General provision for lease rentals receivable [Note 24.3 (e)] | (95) | (469) | (95) | (469) |
| VAT on suspense | (29) | - | (29) | - |
| Net lease rentals receivable | 61,827 | 1,995 | 61,827 | 2,224 |
| **24.3 (d) Movement in specific provision for lease rentals receivable** | | | | |
| Balance as at 1st January | 228,150 | 263,971 | 566,253 | 661,491 |
| Amount recovered | (19,852) | (15,520) | (19,852) | (41,432) |
| Adjustments/transfers | (91,173) | (52,985) | (97,946) | (62,481) |
| Amount reversed due to loans written off | - | - | (103,256) | (140,037) |
| Amount provided during the year [Note 12] | 167,116 | 32,684 | 220,359 | 148,712 |
| Balance as at 31st December | 284,241 | 228,150 | 565,558 | 566,253 |
| **24.3 (e) Movement in general provision for lease rentals receivable** | | | | |
| Balance as at 1st January | 47,314 | 48,752 | 136,625 | 113,831 |
| Amount provided/(reversed) during the year | (25,671) | (1,438) | 19,274 | 22,794 |
| Adjustments/transfers | - | - | 22,042 | - |
| Balance as at 31st December | 21,643 | 47,314 | 177,941 | 136,625 |
| **24.3 (f) Movement in interest in suspense for lease rentals receivable** | | | | |
| Balance as at 1st January | 90,439 | 194,640 | 254,685 | 338,212 |
| Adjustments/transfers | - | - | 5,857 | (126,422) |
| Interest suspended during the year | - | - | 12,263 | 170,753 |
| Amount reversed during the year | (35,786) | (104,201) | (72,815) | (127,858) |
| Balance as at 31st December | 54,653 | 90,439 | 199,990 | 254,685 |
| **24.4 Movement in specific provision for bills of exchange, loans & advances, foreclosed properties and lease rentals receivable -Summary** | | | | |
| Balance as at 1st January | 7,191,956 | 8,042,601 | 7,592,100 | 8,488,604 |
| Adjustments for exchange rate variance | 23,253 | (64,329) | 23,334 | (64,329) |
| | 7,215,209 | 7,978,272 | 7,615,434 | 8,424,275 |
| Amounts recovered | (778,306) | (1,297,087) | (778,306) | (1,323,673) |
| Amount reversed due to loans written off | (68,753) | (502,599) | (172,009) | (642,636) |
| Adjustments/transfers | (49,668) | (58,508) | (40,159) | (68,004) |
| Amount provided during the year [Note 12] | 854,333 | 1,071,878 | 937,463 | 1,202,138 |
| Balance as at 31st December | 7,172,815 | 7,191,956 | 7,562,423 | 7,592,100 |
| **24.5 Movement in general provision for bills of exchange, loans & advances, and lease rentals receivable -Summary** | | | | |
| Balance as at 1st January | 2,396,231 | 1,914,316 | 2,527,820 | 2,010,062 |
| Adjustments for exchange rate variance | (7,864) | (6,131) | (7,864) | (6,131) |
| | 2,388,367 | 1,908,185 | 2,519,956 | 2,003,931 |
| Amount provided during the year [Note 12] | (420,714) | 488,016 | (372,935) | 523,859 |
| Adjustments/transfers | - | 30 | 30,496 | 30 |
| Balance as at 31st December | 1,967,653 | 2,396,231 | 2,177,517 | 2,527,820 |

**24 Loans and advances to customers** (Contd.)

| As at 31st December | Bank 2011 Rs ' 000 | Bank 2010 Rs ' 000 | Group 2011 Rs ' 000 | Group 2010 Rs ' 000 |
|---|---|---|---|---|
| **24.6 Movement in interest in suspense for bills of exchange, loans & advances, foreclosed properties and lease rentals receivable -Summary** | | | | |
| Balance as at 1st January | 8,326,692 | 8,508,903 | 8,499,008 | 8,663,088 |
| Interest suspended during the year | 1,194,961 | 1,184,622 | 1,213,049 | 1,358,417 |
| Amount reversed during the year | (743,066) | (668,229) | (780,329) | (695,643) |
| Amount written off | (412,706) | (809,899) | (412,706) | (811,727) |
| Adjustments/transfers | - | 111,295 | 8,752 | (15,127) |
| Balance as at 31st December | 8,365,881 | 8,326,692 | 8,527,774 | 8,499,008 |

**24.7 Non Performing Loans & Advances**

The bank's net exposure on non performing loans & advances as at balance sheet date, before adjusting for the value of securities are as follows:

| As at 31st December | Bank 2011 Rs'000 | Bank % | Bank 2010 Rs'000 | Bank % | Group 2011 Rs'000 | Group % | Group 2010 Rs'000 | Group % |
|---|---|---|---|---|---|---|---|---|
| **Non performing loans & advances** | | | | | | | | |
| Bills of exchange | 266,959 | | 284,071 | | 503,158 | | 423,826 | |
| Loans & advances | 9,899,907 | | 10,969,634 | | 10,514,101 | | 11,473,931 | |
| Foreclosed properties | 898,737 | | 814,155 | | 898,737 | | 814,155 | |
| Lease rentals receivable | 350,727 | | 570,673 | | 829,992 | | 989,169 | |
| **Non performing loans & advances** | 11,416,330 | 2.07* | 12,638,533 | 3.31* | 12,745,988 | 2.24* | 13,701,081 | 3.49* |
| Add : Interest receivable on non performing advances | 8,256,989 | | 8,217,903 | | 8,296,865 | | 8,231,672 | |
| **Gross non performing loans & advances** | 19,673,319 | | 20,856,436 | | 21,042,853 | | 21,932,753 | |
| Less : Interest in suspense for | | | | | | | | |
| Bills of exchange | 161,674 | | 79,517 | | 161,674 | | 79,517 | |
| Loans & advances | 8,149,554 | | 8,156,736 | | 8,166,110 | | 8,164,806 | |
| Lease rentals receivable | 54,653 | | 90,439 | | 199,990 | | 254,685 | |
| **Total interest in suspense** | 8,365,881 | | 8,326,692 | | 8,527,774 | | 8,499,008 | |
| **Net non performing loans & advances** | 11,307,438 | | 12,529,744 | | 12,515,079 | | 13,433,745 | |
| Less : Specific provision for loan losses for | | | | | | | | |
| Bills of exchange | 152,774 | | 156,452 | | 164,473 | | 168,534 | |
| Loans & advances | 6,445,408 | | 6,539,181 | | 6,542,000 | | 6,589,140 | |
| Foreclosed properties | 290,392 | | 268,173 | | 290,392 | | 268,173 | |
| Lease rentals receivable | 284,241 | | 228,150 | | 565,558 | | 566,253 | |
| **Total specific provision for loans & advances** | 7,172,815 | 1.30* | 7,191,956 | 1.88* | 7,562,423 | 1.33* | 7,592,100 | 1.93* |
| **Net exposure** | 4,134,623 | 0.75* | 5,337,788 | 1.40* | 4,952,656 | 0.87* | 5,841,645 | 1.49* |

* Note :- As a percentage of total gross loans & advances (Net of interest in suspense)

The bank's net exposure on non performing advances of Rs.4,135 million as at 31st December 2011 (2010 : Rs.5,338 million) is covered by securities valued at Rs.7,820 million (2010 : Rs.8,377 million).

The reduction in the value of security corresponds with the reduction in the non performing category.

**24 Loans and advances to customers** (Contd.)

| As at 31st December | Bank 2011 Rs ' 000 | Bank 2010 Rs ' 000 | Group 2011 Rs ' 000 | Group 2010 Rs ' 000 |
|---|---|---|---|---|
| **24.7 (a)** | | | | |
| **Provision cover - Gross** | | | | |
| Specific provision | 7,172,815 | 7,191,956 | 7,562,423 | 7,592,100 |
| Non performing loans & advances | 11,416,330 | 12,638,533 | 12,745,988 | 13,701,081 |
| Specific provision to non performing loans & advances | 62.8% | 56.9% | 59.3% | 55.4% |
| **Provision cover - Net** | | | | |
| Specific provision | 7,172,815 | 7,191,956 | 7,562,423 | 7,592,100 |
| Net non performing loans & advances | 11,307,438 | 12,529,744 | 12,515,079 | 13,433,745 |
| Specific provision to net non performing loans & advances | 63.4% | 57.4% | 60.4% | 56.5% |

**24.7 (b) Analysis of geographic sector non performing advances**

| As at 31st December | Bank 2011 Rs' 000 | % | Bank 2010 Rs' 000 | % | Group 2011 Rs' 000 | % | Group 2010 Rs' 000 | % |
|---|---|---|---|---|---|---|---|---|
| Domestic banking | 8,514,823 | 2.1 | 10,154,252 | 3.6 | 9,844,481 | 2.3 | 11,216,800 | 3.9 |
| Offshore banking | 2,705,968 | 2.0 | 2,244,907 | 2.4 | 2,705,968 | 2.0 | 2,244,907 | 2.4 |
| Overseas operations | 195,539 | 2.3 | 239,374 | 3.1 | 195,539 | 2.2 | 239,374 | 3.0 |
| | 11,416,330 | | 12,638,533 | | 12,745,988 | | 13,701,081 | |

**24.8 Credit Concentration**

**24.8 (a) Credit Concentration - Geographic sector risk concentration**

Geographic sector risk concentration within the customer loan portfolio were as follows:

| As at 31st December | Bank 2011 Rs '000 | % | Bank 2010 Rs '000 | % | Group 2011 Rs '000 | % | Group 2010 Rs '000 | % |
|---|---|---|---|---|---|---|---|---|
| Domestic banking | 405,841,520 | 73.4 | 280,739,408 | 73.4 | 421,021,320 | 74.1 | 291,021,434 | 74.1 |
| Offshore banking | 138,629,049 | 25.1 | 93,744,288 | 24.5 | 138,629,049 | 24.4 | 93,744,290 | 23.9 |
| Overseas operations | 8,321,892 | 1.5 | 7,826,076 | 2.1 | 8,964,992 | 1.5 | 7,941,993 | 2.0 |
| | 552,792,461 | 100.0 | 382,309,772 | 100.0 | 568,615,361 | 100.0 | 392,707,717 | 100.0 |

**24.8 (b) Credit Concentration - Economic sector risk concentration**

Economic sector risk concentration within the customer loan portfolio were as follows:

| As at 31st December | Bank 2011 Rs '000 | % | Bank 2010 Rs '000 | % | Group 2011 Rs '000 | % | Group 2010 Rs '000 | % |
|---|---|---|---|---|---|---|---|---|
| Exports and imports | 44,214,884 | 8.0 | 34,944,448 | 9.1 | 44,428,266 | 7.8 | 35,394,778 | 9.0 |
| Wholesale and retail trade | 26,754,014 | 4.8 | 23,367,576 | 6.1 | 28,874,486 | 5.1 | 27,680,809 | 7.0 |
| Banking, finance and insurance | 10,835,822 | 2.0 | 4,657,807 | 1.2 | 11,067,288 | 1.9 | 5,579,079 | 1.4 |
| Agriculture and fisheries | 11,207,043 | 2.0 | 11,305,962 | 3.0 | 12,293,531 | 2.2 | 11,628,857 | 3.0 |
| Manufacturing | 23,152,924 | 4.2 | 11,532,404 | 3.0 | 25,836,798 | 4.5 | 12,136,544 | 3.1 |
| Hotels, travels and services | 21,331,976 | 3.9 | 19,088,626 | 5.0 | 25,555,936 | 4.5 | 21,787,255 | 5.5 |
| Housing, construction & property development | 65,568,395 | 11.9 | 43,345,196 | 11.3 | 67,503,090 | 11.9 | 43,967,683 | 11.2 |
| Consumption and others | 162,687,299 | 29.3 | 95,420,599 | 25.0 | 166,015,862 | 29.2 | 95,885,557 | 24.5 |
| Government & SOEs' | 186,141,374 | 33.7 | 137,833,000 | 36.1 | 186,141,374 | 32.7 | 137,833,000 | 35.1 |
| Foreclosed properties | 898,730 | 0.2 | 814,154 | 0.2 | 898,730 | 0.2 | 814,155 | 0.2 |
| Gross loans & advances | 552,792,461 | 100.0 | 382,309,772 | 100.0 | 568,615,361 | 100.0 | 392,707,717 | 100.0 |

## 24 Loans and advances to customers (Contd.)

| As at 31st December | Bank 2011 Rs ' 000 | Bank 2010 Rs ' 000 | Group 2011 Rs ' 000 | Group 2010 Rs ' 000 |
|---|---|---|---|---|
| **24.9 Gross bills of exchange, loans & advances, lease rentals receivable - Summary** | | | | |
| Bills of exchange [Note 24.1] | 17,211,995 | 15,776,120 | 17,870,017 | 16,421,802 |
| Loans and advances [Note 24.2] | 529,129,360 | 370,266,675 | 533,578,135 | 372,520,486 |
| Lease rentals receivable [Note 24.3 (a),(b),(c)] | 14,816,987 | 4,593,669 | 25,694,983 | 12,264,437 |
| | 561,158,342 | 390,636,464 | 577,143,135 | 401,206,725 |
| Total provision for interest in suspense [24.10] | (8,365,881) | (8,326,692) | (8,527,774) | (8,499,008) |
| **Total gross bills of exchange loans & advances, lease rentals receivable** | 552,792,461 | 382,309,772 | 568,615,361 | 392,707,717 |
| Total provision for loan losses [24.11] | (9,140,468) | (9,588,187) | (9,739,940) | (10,119,920) |
| **Total Net bills of exchange loans & advances, lease rentals receivable** | 543,651,993 | 372,721,585 | 558,875,421 | 382,587,797 |
| **24.10 Total provision for interest in suspense - Summary** | | | | |
| Bills of exchange [Note 24.1 (d)] | 161,674 | 79,517 | 161,674 | 79,517 |
| Loans and advances [Note 24.2 (d)] | 8,149,554 | 8,156,736 | 8,166,110 | 8,164,806 |
| Lease rentals receivable [Note 24.3 (f)] | 54,653 | 90,439 | 199,990 | 254,685 |
| | 8,365,881 | 8,326,692 | 8,527,774 | 8,499,008 |
| **24.11 Total provision for loan losses - Summary** | | | | |
| Bills of exchange [Note 24.1 (b),(c)] | 293,463 | 300,700 | 319,127 | 326,757 |
| Loans and advances [Note 24.2 (b),(c),(f)] | 8,541,121 | 9,012,023 | 8,677,314 | 9,090,285 |
| Lease rentals receivable [Note 24.3 (d),(e)] | 305,884 | 275,464 | 743,499 | 702,878 |
| | 9,140,468 | 9,588,187 | 9,739,940 | 10,119,920 |

## 25 Government of Sri Lanka Restructuring Bonds

| As at 31st December | | Bank/Group 2011 Rs ' 000 | Bank/Group 2010 Rs ' 000 | Rate % | Date of maturity |
|---|---|---|---|---|---|
| **Date issued** | **Description** | | | | |
| 24.03.1993 | For recapitalisation purposes | 4,780,000 | 4,780,000 | 12 | 24.03.2023 |
| 24.03.1993 | For settlement of loans | 3,767,000 | 3,767,000 | 12 | 24.03.2023 |
| **Total** | | 8,547,000 | 8,547,000 | | |

| As at 31st December | Bank 2011 Rs ' 000 | Bank 2010 Rs ' 000 | Group 2011 Rs ' 000 | Group 2010 Rs ' 000 |
|---|---|---|---|---|
| **26 Investment securities** | | | | |
| **Equity shares** | | | | |
| Listed equity shares [Note 26 (a)] | 1,353,027 | 1,146,862 | 1,566,317 | 1,386,793 |
| Unlisted equity shares [Note 26 (b)] | 3,388,313 | 3,388,581 | 3,413,281 | 3,398,625 |
| **Debt securities** | | | | |
| Listed debentures [Note 26 (c)] | 978,266 | 35,240 | 863,845 | 35,973 |
| Trust certificates [Note 26 (d)] | 197,784 | 197,784 | 197,784 | 197,784 |
| **Bonds** | | | | |
| Sri Lanka development bonds [26 (e)] | 75,526,988 | 72,820,570 | 75,526,988 | 72,820,570 |
| **Units in unit trusts** [Note 26 (f)] | 1,513,004 | 1,309,174 | 1,521,144 | 1,312,314 |
| **Government securities** [Note 26 (g)] | 363,585 | 1,745,285 | 363,585 | 1,745,285 |
| **Other investments** [Note 26 (h)] | - | - | 143,838 | 221,023 |
| | 83,320,967 | 80,643,496 | 83,596,782 | 81,118,367 |

**Equity shares**

| As at 31st December | Bank 2011 No of ordinary shares | Bank 2011 Cost of investment Rs '000 | Bank 2011 Market value Rs '000 | Bank 2010 No of ordinary shares | Bank 2010 Cost of investment Rs '000 | Bank 2010 Market value Rs '000 |
|---|---|---|---|---|---|---|
| **26.(a) Listed equity shares** | | | | | | |
| National Development Bank PLC | 8,185,538 | 691,862 | 1,130,423 | 8,185,538 | 691,862 | 2,860,846 |
| Seylan Bank PLC | 13,000,000 | 455,000 | 878,800 | 13,000,000 | 455,000 | 1,271,400 |
| People's Leasing Company PLC | 11,453,600 | 206,165 | 183,258 | - | - | - |
| | | 1,353,027 | 2,192,481 | | 1,146,862 | 4,132,246 |

| As at 31st December | Bank 2011 No of ordinary shares | Bank 2011 Cost of investment Rs '000 | Bank 2011 Directors' valuation Rs '000 | Bank 2010 No of ordinary shares | Bank 2010 Cost of investment Rs '000 | Bank 2010 Directors' valuation Rs '000 |
|---|---|---|---|---|---|---|
| **26.(b) Unlisted equity shares** | | | | | | |
| Credit Information Bureau | 47,100 | 41,988 | 41,988 | 47,400 | 42,256 | 42,256 |
| Fitch Ratings Lanka Limited | 62,500 | 625 | 625 | 62,500 | 625 | 625 |
| Kandy Textile Industries Limited | 191,790 | 1,918 | - | 191,790 | 1,918 | - |
| Lanka Clear (Private) Limited | 2,100,000 | 21,000 | 21,000 | 2,100,000 | 21,000 | 21,000 |
| Lanka Financial Services Bureau Limited | 225,000 | 2,250 | 2,250 | 225,000 | 2,250 | 2,250 |
| Magpek Exports Limited | 300,000 | 4,355 | - | 300,000 | 4,355 | - |
| Pradeshiya Sanwardhana Bank | 7,418,448 | 72,000 | 72,000 | 7,418,448 | 72,000 | 72,000 |
| Serendib Coconut Products Limited | 37,500 | 375 | - | 37,500 | 375 | - |
| Sri Lankan Airlines | 12,115,571 | 3,250,450 | 3,250,450 | 12,115,571 | 3,250,450 | 3,250,450 |
| | | 3,394,961 | 3,388,313 | | 3,395,229 | 3,388,581 |
| Provision for diminution in value | | (6,648) | - | | (6,648) | - |
| | | 3,388,313 | 3,388,313 | | 3,388,581 | 3,388,581 |

**26 Investment securities** (Contd.)

**Debt securities**

| As at 31st December | Bank | | | | | |
|---|---|---|---|---|---|---|
| | 2011 | | | 2010 | | |
| | No of debentures | Cost of investment Rs '000 | Market value Rs '000 | No of debentures | Cost of investment Rs '000 | Market value Rs '000 |
| **26.(c) Listed debentures** | | | | | | |
| LB Finance PLC [Fixed rate of 12.30% Rs.1,000/- each maturing December 2016] | 100,000 | 100,000 | 100,000 | - | - | - |
| Lanka Orix Leasing Company PLC [Fixed rate of 11.70% Rs.100/- each maturing August 2015] | 1,000,000 | 100,000 | 100,000 | - | - | - |
| Merchant Bank of Sri Lanka PLC [Fixed rate of 11.60% Rs.100/- each maturing November 2014] | 1,400,000 | 140,000 | 140,000 | - | - | - |
| People's Leasing Company PLC [Fixed rate of 11.55% Rs.100/- each maturing December 2014] | 1,000,000 | 100,000 | 100,000 | - | - | - |
| Urban Development Authority [Fixed rate of 11.00% Rs.100/- each maturing October 2015] | 5,352,400 | 538,266 | 538,266 | 352,400 | 35,240 | 35,240 |
| | | 978,266 | 978,266 | | 35,240 | 35,240 |
| **26.(d) Trust certificates** | | | | | | |
| Commercial Leasing Company Limited. | | 197,784 | 197,784 | | 197,784 | 197,784 |
| | | 197,784 | 197,784 | | 197,784 | 197,784 |

**26 Investment securities** (Contd.)

**26.(e) Bonds**

| As at 31st December | Year of maturity | Bank 2011 Cost of investment Rs' 000 | Bank 2011 Net realisable value Rs' 000 | Bank 2010 Cost of investment Rs' 000 | Bank 2010 Net realisable value Rs' 000 |
|---|---|---|---|---|---|
| **Sri Lanka Development Bonds (US $ bonds)** | | | | | |
| Sri Lanka Development Bonds [6 months LIBOR plus 365 basis points] | 2014 | 1,708,575 | 3,417,381 | - | - |
| Sri Lanka Development Bonds [6 months LIBOR plus 365 basis points] | 2014 | 2,847,625 | 2,872,631 | - | - |
| Sri Lanka Development Bonds [6 months LIBOR plus 395 basis points] | 2013 | 1,139,050 | 1,149,170 | 1,115,050 | 1,119,695 |
| Sri Lanka Development Bonds [6 months LIBOR plus 395 basis points] | 2013 | 1,139,050 | 1,149,051 | 1,115,050 | 1,120,297 |
| Sri Lanka Development Bonds [6 months LIBOR plus 395 basis points] | 2013 | 22,211,475 | 22,411,269 | 21,743,475 | 21,846,865 |
| Sri Lanka Development Bonds [6 months LIBOR plus 370 basis points] | 2013 | 45,342,163 | 45,752,287 | 44,386,795 | 44,333,132 |
| Sri Lanka Development Bonds [6 months LIBOR plus 425 basis points] | 2012 | 569,525 | 1,139,116 | 557,525 | 562,079 |
| Sri Lanka Development Bonds [6 months LIBOR plus 350 basis points] | 2012 | 569,525 | 574,580 | 557,525 | 555,199 |
| Sri Lanka Development Bonds [6 months LIBOR plus 550 basis points] | 2011 | - | - | 557,525 | 559,331 |
| Sri Lanka Development Bonds [6 months LIBOR plus 540 basis points] | 2011 | - | - | 1,672,575 | 1,677,992 |
| Sri Lanka Development Bonds [6 months LIBOR plus 500 basis points] | 2011 | - | - | 557,525 | 560,898 |
| Sri Lanka Development Bonds [6 months LIBOR plus 450 basis points] | 2011 | - | - | 557,525 | 560,055 |
| | | 75,526,988 | 78,465,485 | 72,820,570 | 72,895,543 |

## 26 Investment securities (Contd.)

| As at 31st December | Bank | | | | | |
|---|---|---|---|---|---|---|
| | 2011 | | | 2010 | | |
| | No of units | Cost of investment Rs '000 | Manager's valuation Rs '000 | No of units | Cost of investment Rs '000 | Manager's valuation Rs' 000 |
| **26.(f) Units in unit trusts** | | | | | | |
| Ceybank Unit Trust | 99,063,544 | 1,302,308 | 3,137,342 | 94,437,649 | 1,113,433 | 3,970,159 |
| Ceybank Century Growth Fund | 7,673,959 | 110,696 | 447,085 | 7,447,569 | 95,741 | 534,413 |
| Ceybank Surekum Gilt Edged Fund | 10,000,000 | 100,000 | 103,600 | 10,000,000 | 100,000 | 100,500 |
| | | 1,513,004 | 3,688,027 | | 1,309,174 | 4,605,072 |

| As at 31st December | Bank | | | |
|---|---|---|---|---|
| | 2011 | | 2010 | |
| | Cost of investment Rs '000 | Manager's valuation Rs '000 | Cost of investment Rs '000 | Manager's valuation Rs' 000 |
| **26.(g) Government securities** | | | | |
| Investment in Government securities | 363,585 | 363,585 | 1,745,285 | 1,745,285 |
| | 363,585 | 363,585 | 1,745,285 | 1,745,285 |

| As at 31st December | Group | | | | | |
|---|---|---|---|---|---|---|
| | 2011 | | | 2010 | | |
| | No of ordinary shares | Cost of investment Rs '000 | Market value Rs '000 | No of ordinary shares | Cost of investment Rs '000 | Market value Rs '000 |
| **26.(a) Listed equity shares** | | | | | | |
| DFCC Bank | - | - | - | 60,000 | 13,594 | 12,012 |
| National Development Bank PLC | 8,185,538 | 691,862 | 1,130,423 | 8,220,538 | 704,909 | 2,873,078 |
| People's Leasing Company PLC | 11,453,600 | 206,165 | 183,258 | - | - | - |
| Seylan Bank PLC | 13,000,000 | 455,000 | 878,800 | 13,000,000 | 455,000 | 1,271,400 |
| The Lanka Hospital Corporation PLC | 21,329,000 | 213,290 | 1,111,241 | 21,329,000 | 213,290 | 676,129 |
| | | 1,566,317 | 3,303,722 | | 1,386,793 | 4,832,619 |

**26 Investment securities** (Contd.)

| As at 31st December | Group 2011 No of ordinary shares | 2011 Cost of investment Rs '000 | 2011 Directors' valuation Rs '000 | 2010 No of ordinary shares | 2010 Cost of investment Rs '000 | 2010 Directors' valuation Rs '000 |
|---|---|---|---|---|---|---|
| **26.(b) Unlisted equity shares** | | | | | | |
| Ceylinco Investment Company Limited | 500,000 | 5,000 | 5,000 | 500,000 | 5,000 | 5,000 |
| Credit Information Bureau | 47,400 | 42,042 | 42,042 | 47,600 | 42,300 | 42,300 |
| Finance and Guarantee Company Limited | 2,506,562 | 17,546 | 14,914 | - | - | - |
| Fitch Ratings Lanka Limited | 62,500 | 625 | 625 | 62,500 | 625 | 625 |
| Kandy Textile Industries Limited | 191,790 | 1,918 | - | 191,790 | 1,918 | - |
| Lanka Clear (Private) Limited | 2,100,000 | 21,000 | 21,000 | 2,100,000 | 21,000 | 21,000 |
| Lanka Financial Services Bureau Limited | 225,000 | 2,250 | 2,250 | 225,000 | 2,250 | 2,250 |
| MEGA Containers Limited | 1,000,000 | 10,000 | 5,000 | 1,000,000 | 10,000 | 5,000 |
| Magpek Export Limited | a 300,000 | 4,355 | - | 300,000 | 4,355 | - |
| Pradeshiya Sanwardhana Bank | 7,418,448 | 72,000 | 72,000 | 7,418,448 | 72,000 | 72,000 |
| San Michele Limited | 50,000 | 500 | - | - | - | - |
| Serendib Coconut Products Limited | 37,500 | 375 | - | 37,500 | 375 | - |
| Sri Lankan Airlines | 12,115,571 | 3,250,450 | 3,250,450 | 12,115,571 | 3,250,450 | 3,250,450 |
| | | 3,428,061 | 3,413,281 | | 3,410,273 | 3,398,625 |
| Provision for diminution in value | | (14,780) | - | | (11,648) | - |
| | | 3,413,281 | 3,413,281 | | 3,398,625 | 3,398,625 |

**Debt securities**

| As at 31st December | Group 2011 No of debentures | 2011 Cost of investment Rs '000 | 2011 Market value Rs '000 | 2010 No of debentures | 2010 Cost of investment Rs '000 | 2010 Market value Rs '000 |
|---|---|---|---|---|---|---|
| **26.(c) Listed debentures** | | | | | | |
| LB Finance PLC [Fixed rate of 12.30% Rs.1,000/- each maturing December 2016] | 100,000 | 100,000 | 100,000 | - | - | - |
| Lanka Orix Leasing Company PLC [Fixed rate of 11.70% Rs.100/- each maturing August 2015] | 1,050,000 | 105,000 | 105,000 | - | - | - |
| People's Leasing Company PLC [Fixed rate of 11.30% Rs.100/- each maturing December 2014] | 200,000 | 20,000 | 20,000 | - | - | - |
| People's Leasing Company PLC [Fixed rate of 11.55% Rs.100/- each maturing December 2014] | 1,000,000 | 100,000 | 100,000 | - | - | - |
| Urban Development Authority [Fixed rate of 11.0% Rs.100/- eachmaturing October 2015] | 5,352,400 | 538,266 | 538,266 | 352,400 | 35,240 | 35,240 |
| Seylan Bank PLC | | | | | | |
| [Fixed rate of 16.20% Rs.100/- each maturing Decemebr 2012] | 2,000 | 215 | 200 | 2,000 | 215 | 200 |
| [Fixed rate of 16.75% Rs.100/- each maturing May 2012] | 3,400 | 364 | 340 | 3,400 | 364 | 340 |
| [Fixed rate of 13.50% Rs.100/- each maturing July 2011] | - | - | - | 1,500 | 154 | 150 |
| | | 863,845 | 863,806 | | 35,973 | 35,930 |
| **26.(d) Trust certificates** | | | | | | |
| Commercial Leasing Company Limited. | | 197,784 | 197,784 | | 197,784 | 197,784 |
| | | 197,784 | 197,784 | | 197,784 | 197,784 |

**26 Investment securities** (Contd.)

**26.(e) Bonds**

| As at 31st December | Year of maturity | Group 2011 Cost of investment Rs' 000 | Group 2011 Net realisable value Rs' 000 | Group 2010 Cost of investment Rs' 000 | Group 2010 Net realisable value Rs' 000 |
|---|---|---|---|---|---|
| **Sri Lanka Development Bonds (US $ bonds)** | | | | | |
| Sri Lanka Development Bonds [6 months LIBOR plus 365 basis points] | 2014 | 1,708,575 | 3,417,381 | - | - |
| Sri Lanka Development Bonds [6 months LIBOR plus 365 basis points] | 2014 | 2,847,625 | 2,872,631 | - | - |
| Sri Lanka Development Bonds [6 months LIBOR plus 395 basis points] | 2013 | 1,139,050 | 1,149,170 | 1,115,050 | 1,119,695 |
| Sri Lanka Development Bonds [6 months LIBOR plus 395 basis points] | 2013 | 1,139,050 | 1,149,051 | 1,115,050 | 1,120,297 |
| Sri Lanka Development Bonds [6 months LIBOR plus 395 basis points] | 2013 | 22,211,475 | 22,411,269 | 21,743,475 | 21,846,865 |
| Sri Lanka Development Bonds [6 months LIBOR plus 370 basis points] | 2013 | 45,342,163 | 45,752,287 | 44,386,795 | 44,333,132 |
| Sri Lanka Development Bonds [6 months LIBOR plus 425 basis points] | 2012 | 569,525 | 1,139,116 | 557,525 | 562,079 |
| Sri Lanka Development Bonds [6 months LIBOR plus 350 basis points] | 2012 | 569,525 | 574,580 | 557,525 | 555,199 |
| Sri Lanka Development Bonds [6 months LIBOR plus 550 basis points] | 2011 | - | - | 557,525 | 559,331 |
| Sri Lanka Development Bonds [6 months LIBOR plus 540 basis points] | 2011 | - | - | 1,672,575 | 1,677,992 |
| Sri Lanka Development Bonds [6 months LIBOR plus 500 basis points] | 2011 | - | - | 557,525 | 560,898 |
| Sri Lanka Development Bonds [6 months LIBOR plus 450 basis points] | 2011 | - | - | 557,525 | 560,055 |
| | | 75,526,988 | 78,465,485 | 72,820,570 | 72,895,543 |

**26 Investment securities** (Contd.)

| As at 31st December | Group 2011 No of units | 2011 Cost of investment Rs '000 | 2011 Manager's valuation Rs '000 | 2010 No of units | 2010 Cost of investment Rs '000 | 2010 Manager's valuation Rs '000 |
|---|---|---|---|---|---|---|
| **26.(f) Units in unit trusts** | | | | | | |
| Ceybank Unit Trust | 99,063,544 | 1,302,308 | 3,137,342 | 94,437,649 | 1,113,433 | 3,970,159 |
| Ceybank Century Growth Fund | 7,673,959 | 110,696 | 447,085 | 7,477,569 | 95,741 | 545,339 |
| Ceybank Surekum Gilt Edged Fund | 10,000,000 | 100,000 | 103,600 | 10,000,000 | 100,000 | 100,500 |
| First Capital Asset Management Limited | 50,000 | 5,000 | 5,000 | - | - | - |
| Namal Acuity Value Fund | 32,800 | 3,140 | 2,208 | 32,800 | 3,140 | 2,952 |
| | | 1,521,144 | 3,695,235 | | 1,312,314 | 4,618,950 |

| As at 31st December | Group 2011 Cost of investment Rs '000 | 2011 Manager's valuation Rs '000 | 2010 Cost of investment Rs '000 | 2010 Manager's valuation Rs' 000 |
|---|---|---|---|---|
| **26.(g) Government securities** | | | | |
| Investment in Government securities | 363,585 | 363,585 | 1,745,285 | 1,745,285 |
| | 363,585 | 363,585 | 1,745,285 | 1,745,285 |

| As at 31st December | Group 2011 Cost of investment Rs '000 | 2011 Directors' valuation Rs '000 | 2010 Cost of investment Rs '000 | 2010 Directors' valuation Rs '000 |
|---|---|---|---|---|
| **26.(h) Other investments** | | | | |
| Investment in commercial papers | 100,000 | 100,000 | 220,965 | 220,965 |
| Investment in other banks | 43,838 | 43,838 | 58 | 58 |
| | 143,838 | 143,838 | 221,023 | 221,023 |

**27 Investment properties**

| As at 31st December | Bank 2011 Rs '000 | Bank 2010 Rs '000 | Group 2011 Rs '000 | Group 2010 Rs '000 |
|---|---|---|---|---|
| **Cost** | | | | |
| Balance as at 1st January | - | - | 394,775 | 396,914 |
| Additions during the year | - | - | 15,000 | 2,659 |
| Transfers/adjustments | - | - | - | - |
| Disposals during the year | - | - | (235,185) | (4,798) |
| Balance as at 31st December | - | - | 174,590 | 394,775 |
| **Less : Accumulated depreciation** | | | | |
| Balance as at 1st January | - | - | 7,908 | 5,184 |
| Charge for the year | - | - | 3,285 | 3,074 |
| Transfers/adjustments | - | - | - | - |
| Released on disposal | - | - | (2,477) | (350) |
| Balance as at 31st December | - | - | 8,716 | 7,908 |
| Net investment properties | - | - | 165,874 | 386,867 |

No investment properties held by the Bank both the current year as well as for the previous year.

**27 Investment properties** (Contd.)

**27.1 Investment properties held by the group**

| As at 31st December | | Building (sq.ft) | Extent | 2011 Cost/Carrying amount Land Rs '000 | Building Rs '000 | Total Rs '000 | Fair value Total Rs '000 | 2010 Cost/ Carrying Total Rs '000 | Fair value Total Rs '000 |
|---|---|---|---|---|---|---|---|---|---|
| No. 64 & 66, Nonagama Road, Pallegama, Embilipitiya. | * | - | 16.61p | 1,750 | - | 1,750 | 13,000 | 1,750 | 13,000 |
| Lot No. 2 & 3, of Muttuweowita. | * | - | 20.40p | 714 | - | 714 | 1,000 | 714 | 1,000 |
| No 300/8, Thalawathugoda Road, Madiwela, Kotte. | * | 2,478 | 16.15p | 2,465 | 2,635 | 5,100 | 14,727 | 5,100 | 5,012 |
| No 385/1, Kotte Road, Pittakotte. | * | 2,896 | 19.01p | 2,958 | 1,730 | 4,688 | 5,298 | 4,688 | 5,298 |
| No 116,116/1,118,120, 1st Cross Street, Colombo 01. | * | - | 12.35p | 1,249 | - | 1,249 | 1,249 | 1,249 | 1,249 |
| No 43,45,49,51 & 53, New Olcott Mawatha, Colombo 11. | * | - | 7.50p | 9,950 | - | 9,950 | 75,000 | 9,950 | 35,000 |
| No 102 & 104, Dam Street, Colombo 12. | * | 7,925 | 1R-10.7p | 17,970 | 4,989 | 22,959 | 56,029 | 22,959 | 56,029 |
| Kumbuththukuliya watte, Bangadeniya Road, Puttalam. | * | - | 2.0A | 600 | - | 600 | 3,400 | 600 | 3,400 |
| Mirissawelawatta hena; Thekkawatta Dambadeniya | * | - | 1A-0R-28.0p | 162 | - | 162 | 600 | 162 | 600 |
| Rukgahakottunuwa, Gehenuwala, Meepe | * | - | 38.33p | 2,418 | - | 2,418 | 890 | 2,418 | 890 |
| No 299, Union Place, Colombo 02 | * | 10,456 | 50.00p | - | - | - | - | 235,185 | 225,344 |
| No. 50/21, Old Kesbewa Road, Raththanapitiya, Boralesgamuwa. | ** | 44,877 | 2A-1R-4.35p | 65,604 | 44,396 | 110,000 | 229,075 | 110,000 | 229,075 |
| Alankare, in Angamu Korale of Dewanedi hathpattuwa, Kurunegala District. | *** | 5,936 | 1A-1R-00.5p | 2,445 | 10,555 | 13,000 | 21,319 | | |
| No 498, Homagama Road, Athurugiriya. | **** | - | 0A-0R-21.75p | 2,000 | - | 2,000 | 2,610 | | |
| **Total** | | | | 110,285 | 64,305 | 174,590 | 424,197 | 394,775 | 575,897 |

**Note :**

* The fair value of the investment properties as at 31st December 2011 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 not connected with the Group. The directors have reviewed values of the investment properties as at 31st December 2011 and concluded that there were no impairment.

** Professional valuation has been carried out by Mr A G Gunarathna [B Sc Estate Management & Valuation, FIV (Sri Lanka)], incorporated valuer on basis of Market Approach (Direct Comparison Method) on 23rd & 24th July 2009.

*** Professional valuation has been carried out by Mr U G Nihal Somachandra, [B Sc (Sepcial), EMV (Sri Lanka)], Associate Member of Institute of Valuers, incorporated valuer on the basis of Market Approach (Direct Comparison Method), on 10th April 2011.

**** Professional valuation has been carried out by Mr V M S Jayasiri [B Sc (Hons), Diploma in Valution (Sri Lanka), AIV (Sri Lanka)], incorporated valuer on the basis of Market Approach (Direct Comparison Method) on 7th July 2011.

## 28 Investments in Associate companies

| As at 31st December | Bank | | | | | | Group | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2011 | | | 2010 | | | 2011 | | 2010 | |
| | Group's interest in stated capital % | Cost Rs.'000 | Market value/ Directors' valuation Rs '000 | Group's interest in stated capital % | Cost Rs.'000 | Market value/ Directors' valuation Rs '000 | Equity Value Rs.'000 | Market value/ Directors' valuation Rs '000 | Equity Value Rs.'000 | Market value/ Directors' valuation Rs '000 |
| **28.1 Unquoted** | | | | | | | | | | |
| Ceybank Asset Management Limited (1,240,002 ordinary shares) (Incorporated in Sri Lanka) | 43.36 | 31,048 | 31,048 | 43.36 | 31,048 | 31,048 | 89,418 | 89,418 | 61,558 | 61,558 |
| Lanka Securities (Private) Limited (3,495,000 Ordinary shares) (Incorporated in Sri Lanka) | 40.92 | 41,940 | 41,940 | 40.92 | 41,940 | 41,940 | 187,350 | 187,350 | 171,607 | 171,607 |
| MBSL Savings Bank Limited (Incorporated in Sri Lanka) | - | - | - | 49.08 | - | - | - | - | 111,803 | 111,803 |
| Mireka Capital Land (Private) Limited (75,000,000 ordinary shares) (Incorporated in Sri Lanka) | 40.00 | 750,000 | 750,000 | 40.00 | 750,000 | 750,000 | 963,129 | 963,129 | 905,937 | 905,937 |
| Southern Development Financial Company Limited (2,500,001 ordinary shares) (Incorporated in Sri Lanka) | 41.67 | 25,000 | - | 41.67 | 25,000 | 1,670 | 842 | 842 | 53 | 53 |
| Transnational Lanka Records Solutions (Private) Limited (2,000,000 ordinary shares) (Incorporated in Sri Lanka) | 24.69 | 20,000 | 20,000 | 24.69 | 20,000 | 20,000 | 41,938 | 41,938 | 33,605 | 33,605 |
| Total investments in Associate companies | | 867,988 | 842,988 | | 867,988 | 844,658 | 1,282,677 | 1,282,677 | 1,284,563 | 1,284,563 |
| Provision for diminution in value | | (25,000) | - | | (23,330) | - | - | - | - | - |
| Net investments in Associate companies | | 842,988 | 842,988 | | 844,658 | 844,658 | 1,282,677 | 1,282,677 | 1,284,563 | 1,284,563 |

| As at 31st December | Bank Cost | | Group Equity value | |
|---|---|---|---|---|
| | 2011 Rs '000 | 2010 Rs '000 | 2011 Rs '000 | 2010 Rs '000 |
| **28.2 Movement in investments in Associate companies** | | | | |
| Balance as at 1st January | 867,988 | 867,988 | 1,284,564 | 1,084,065 |
| Increase/(decrease) in investment | - | - | - | 80,364 |
| Share of profit/(loss) before tax | - | - | 208,715 | 212,898 |
| Share of tax | - | - | (43,297) | (55,384) |
| Dividends | - | - | (53,272) | (42,713) |
| Conversion of Associate into a Subsidiary * | - | - | (111,803) | - |
| Other adjustments | - | - | (2,230) | 5,334 |
| Balance as at 31st December | 867,988 | 867,988 | 1,282,677 | 1,284,564 |

* MBSL Savings Bank Limited has been converted into a Subsidiary company.

## 28 Investments in Associate companies (Contd.)

| As at 31st December | Bank 2011 Rs '000 | Bank 2010 Rs '000 | Group 2011 Rs '000 | Group 2010 Rs '000 |
|---|---|---|---|---|
| **28.3 Movement in provision for diminution in value** | | | | |
| Balance as at 1st January | 23,330 | 23,330 | - | - |
| Amount provided during the year | 1,670 | - | - | - |
| Balance as at 31st December | 25,000 | 23,330 | - | - |

### 28.4 The group's interest in the summarised financial information of the Associates are as follows:

| As at 31st December | 2011 Rs.'000 | 2010 Rs.'000 |
|---|---|---|
| Total assets | 2,835,998 | 3,914,506 |
| Total liabilities | 1,555,903 | 2,619,263 |
| **For the year ended 31st December** | | |
| Total operating income | 924,543 | 740,817 |
| Total operating expense | (715,828) | (527,919) |
| Profit before taxation | 208,715 | 212,898 |
| Provision for taxation | (43,296) | (55,384) |
| Profit after taxation | 165,419 | 157,514 |

| As at 31st December | Bank 2011 Rs '000 | Bank 2010 Rs '000 | Group 2011 Rs '000 | Group 2010 Rs '000 |
|---|---|---|---|---|
| **29 Investments in Subsidiary companies** | | | | |
| Investments in quoted companies [Note 29.2] | 2,862,705 | 2,862,705 | - | - |
| Investments in unquoted companies [Note 29.3] | 3,377,981 | 3,233,519 | - | - |
| Total investments in Subsidiary companies [Note 29.1] | 6,240,686 | 6,096,224 | - | - |
| Provision for diminution in value [Note 29.4] | - | (817,130) | - | - |
| Net investments in Subsidiary companies | 6,240,686 | 5,279,094 | - | - |
| **29.1 Movement in investments in Subsidiary companies** | | | | |
| Balance as at 1st January | 6,096,224 | 4,008,989 | - | - |
| Increase/(decrease) in investment | 100,000 | 2,087,235 | - | - |
| Other adjustments | 44,462 | - | - | - |
| Balance as at 31st December | 6,240,686 | 6,096,224 | - | - |

**29 Investments in Subsidiary companies** (Contd.)

| As at 31st December | Bank 2011 Group's interest in stated capital % | 2011 Cost Rs '000 | 2011 Market Value/ Directors' value Rs '000 | 2010 Group's interest in stated capital % | 2010 Cost Rs '000 | 2010 Market Value/ Directors' value Rs '000 |
|---|---|---|---|---|---|---|
| **29.2 Quoted** | | | | | | |
| Property Development PLC (61,485,050 Ordinary shares) (Incorporated in Sri Lanka) | 93.16 | 740,070 | 3,209,520 | 93.16 | 740,070 | 2,766,827 |
| Merchant Bank of Sri Lanka PLC (97,392,136 Ordinary shares) (Incorporated in Sri Lanka) | 72.14 | 2,122,635 | 3,856,729 | 72.14 | 2,122,635 | 4,460,560 |
| Investments in quoted Subsidiary companies | | 2,862,705 | 7,066,249 | | 2,862,705 | 7,227,387 |
| **29.3 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 (12,119,611 Ordinary shares) (Incorporated in the United Kingdom) | 100.00 | 2,131,697 | 2,131,697 | 100.00 | 2,087,235 | 2,087,235 |
| Ceylease Financial Services 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 | 737 | 737 |
| Merchant Credit of Sri Lanka 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 | | 3,377,981 | 3,377,981 | | 3,233,519 | 3,233,519 |

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 Subsidiaires of the Bank.

| As at 31st December | Bank 2011 Rs '000 | Bank 2010 Rs '000 | Group 2011 Rs '000 | Group 2010 Rs '000 |
|---|---|---|---|---|
| **29.4 Movement in provision for diminution in value** | | | | |
| Balance as at 1st January | 817,130 | 817,130 | - | - |
| Amount reversed during the year | (817,130) | - | - | - |
| Balance as at 31st December | - | 817,130 | - | - |

| As at 31st December | Bank 2011 Rs '000 | Bank 2010 Rs '000 | Group 2011 Rs '000 | Group 2010 Rs '000 |
|---|---|---|---|---|
| **30 Other assets** | | | | |
| Accrued interest and other receivables | 12,222,387 | 10,238,043 | 12,667,051 | 10,620,946 |
| Consumable stock in hand | 312,973 | 338,357 | 389,388 | 410,819 |
| Foreign cheques purchased | 107,902 | 102,994 | 107,902 | 102,994 |
| Local cheques purchased | 1,427,793 | 1,236,611 | 1,427,793 | 1,236,611 |
| Other assets | 8,778,503 | 5,790,263 | 9,297,614 | 5,942,280 |
| | 22,849,558 | 17,706,268 | 23,889,748 | 18,313,650 |

## 31 Property, plant and equipment

| As at 31st December | Freehold land Rs '000 | Freehold building Rs '000 | Leasehold building Rs '000 | Equipment Rs '000 | Motor vehicles Rs '000 | Leasehold motor vehicles Rs '000 | Capital work in progress Rs '000 | 2011 Total Rs '000 | 2010 Total Rs '000 |
|---|---|---|---|---|---|---|---|---|---|
| **Bank** | | | | | | | | | |
| **31.1 Cost or valuation** | | | | | | | | | |
| As at 1st January | 1,592,925 | 1,353,907 | 803,687 | 6,866,014 | 575,122 | 50,388 | 229,681 | 11,471,724 | 11,086,141 |
| Additions during the year | | | | | | | | | |
| Acquisitions | 58,446 | 12,767 | 6,554 | 737,746 | 84,861 | - | 184,391 | 1,084,765 | 1,170,780 |
| Capitalisations | - | 121,245 | 72,447 | - | - | - | (193,692) | - | (127,278) |
| Revaluation surplus | 3,605,707 | 1,108,472 | - | - | - | - | - | 4,714,179 | |
| Disposals during the year | - | - | - | (227,790) | (19,069) | - | - | (246,859) | (146,414) |
| Exchange rate adjustments | - | - | - | (13,952) | (615) | - | - | (14,567) | (908) |
| Transfer to Bank of Ceylon (UK) Limited | - | - | - | - | - | - | - | - | (508,914) |
| Transfer to equipment | - | (43,926) | (5,626) | 49,552 | - | - | - | - | - |
| Transfer of accumulated depreciation on asset revaluation | - | (310,587) | - | - | - | - | - | (310,587) | - |
| Transfers/adjustments | 4,180 | (17,753) | 10,123 | (364) | - | (11) | - | (3,825) | (1,683) |
| As at 31st December | 5,261,258 | 2,224,125 | 887,185 | 7,411,206 | 640,299 | 50,377 | 220,380 | 16,694,830 | 11,471,724 |
| | - | - | | | | | | | |
| **Accumulated depreciation** | | | | | | | | | |
| As at 1st January | - | 365,948 | 363,646 | 4,863,566 | 314,011 | 19,964 | - | 5,927,135 | 5,425,388 |
| Charge for the year | - | 63,215 | 39,957 | 605,296 | 94,024 | 12,596 | - | 815,088 | 784,993 |
| Transfer to equipment | - | (40,712) | (5,034) | 45,746 | - | - | - | - | - |
| Transfer of accumulated depreciation on assets revaluation | - | (310,587) | - | - | - | - | - | (310,587) | - |
| Disposals during the year | - | - | | (227,019) | (16,783) | - | - | (243,802) | (144,343) |
| Exchange rate adjustments | - | - | - | (11,600) | (283) | - | - | (11,883) | (907) |
| Transfer to Bank of Ceylon (UK) Limited | - | - | - | - | - | - | - | - | (137,996) |
| Transfers/adjustments * | - | (2,269) | 2,222 | - | - | - | - | (47) | - |
| As at 31st December | - | 75,595 | 400,791 | 5,275,989 | 390,969 | 32,560 | - | 6,175,904 | 5,927,135 |
| **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 | |
| **Net book value as at 31st December 2010** | 1,592,925 | 987,959 | 440,041 | 2,002,448 | 261,111 | 30,424 | 229,681 | | 5,544,589 |

* Transfers/adjustments consist mainly of transfers from freehold property to leasehold property

**31 Property, plant and equipment** (Contd.)

**31.1 (a) Details of freehold land & buildings held by the Bank as at 31st December 2011**

| Name of premises | Extent (Perches) | Building (Square feet) | Cost/ revaluation of land Rs.'000 | Cost/ revaluation of building Rs.'000 | Total value Rs.'000 | Accumulated depreciation Rs.'000 | Net book value Rs.'000 |
|---|---|---|---|---|---|---|---|
| **Central Province** | | | | | | | |
| Galaha Branch<br>59/37, Deltota Road, Galaha | 15.00 | 6,340 | 1,991 | 6,009 | 8,000 | 200 | 7,800 |
| Gampola Branch<br>44, Kadugannawa Road, Gampola | 175.00 | 9,270 | 74,836 | 11,146 | 85,982 | 550 | 85,432 |
| Hatton Branch<br>46, Circular Road, Hatton | 85.65 | 8,784 | 86,667 | 13,333 | 100,000 | 333 | 99,667 |
| Hatton Staff Quarters<br>Hatton | 40.00 | 5,560 | 33,962 | 11,038 | 45,000 | 276 | 44,724 |
| Kandy 2nd City Branch<br>22, Dalada Veediya, Kandy | 42.81 | 9,017 | 182,170 | 17,830 | 200,000 | 713 | 199,287 |
| Maskeliya Branch<br>66, Upcot Road, Maskeliya | 42.05 | 6,402 | 24,659 | 10,341 | 35,000 | 259 | 34,741 |
| Nawalapitiya Branch<br>6, Gampola Road, Nawalapitiya | 15.00 | 6,317 | 13,000 | 12,000 | 25,000 | 600 | 24,400 |
| Nuwara Eliya Branch<br>43, Lawson Street, Nuwara Eliya | 133.50 | 13,645 | 309,867 | 40,531 | 350,398 | 1,007 | 349,391 |
| Nuwara Eliya Staff Quarters<br>14,19, Hill Street, Nuwara Eliya | 53.69 | 5,086 | 33,778 | 6,222 | 40,000 | 622 | 39,378 |
| Nuwara Eliya Property<br>12, Hill Street, Nuwara Eliya | 27.54 | 3,070 | 58,712 | 3,788 | 62,500 | 95 | 62,405 |
| Talawakelle Branch<br>23,25,29, Hatton Road, Talawakelle | 25.30 | 5,045 | 12,454 | 6,046 | 18,500 | 302 | 18,198 |
| Talawakelle Staff Quarters<br>Talawakelle Estate Plantation | 160.00 | 4,898 | 7,747 | 11,253 | 19,000 | 281 | 18,719 |
| | | | 839,843 | 149,537 | 989,380 | 5,238 | 984,142 |
| **Eastern Province** | | | | | | | |
| Batticaloa Branch<br>Covington Road, Batticaloa | 65.00 | 8,137 | 19,209 | 11,791 | 31,000 | 472 | 30,528 |
| Mutur Branch<br>38, Batticaloa Road, Mutur | 40.27 | 2,226 | 1,611 | 1,189 | 2,800 | 238 | 2,562 |
| Pottuvil Branch<br>Main Street, Pottuvil | 10.70 | 4,976 | 4,722 | 14,278 | 19,000 | 357 | 18,643 |
| Trincomalee Branch<br>24, Inner Harbour Road, Trincomalee | 90.00 | 9,432 | 34,450 | 15,670 | 50,120 | 1,044 | 49,076 |
| Valachchenai Branch<br>Main Street, Valachchenai | 47.34 | 6,391 | 19,953 | 12,047 | 32,000 | 402 | 31,598 |
| | | | 79,945 | 54,975 | 134,920 | 2,513 | 132,407 |
| **Northern Province** | | | | | | | |
| Jaffna Area Office<br>476, 476A, Hospital Road , Jaffna | - | 7,300 | - | 11,760 | 11,760 | 294 | 11,466 |
| Jaffna Branch<br>56, Stanley Road, Jaffna | 164.27 | 9,775 | 64,749 | 13,491 | 78,240 | 540 | 77,700 |
| Mannar Branch<br>52, Pallimunai Road, Grand Bazaar, Mannar | - | 5,720 | 5,570 | 6,930 | 12,500 | 462 | 12,038 |
| Nelliadi Branch<br>Thikkam Road, Karaveddy, Nelliady | 42.74 | - | 16,000 | - | 16,000 | - | 16,000 |
| | | | 86,319 | 32,181 | 118,500 | 1,296 | 117,204 |

**31 Property, plant and equipment** (Contd.)

| Name of premises | Extent (Perches) | Building (Square feet) | Cost/ revaluation of land Rs.'000 | Cost/ revaluation of building Rs.'000 | Total value Rs.'000 | Accumulated depreciation Rs.'000 | Net book value Rs.'000 |
|---|---|---|---|---|---|---|---|
| **North Western Province** | | | | | | | |
| Alawwa Branch<br>64, Giriulla Road, Alawwa | 31.80 | 7,305 | 4,000 | 5,070 | 9,070 | 1,104 | 7,966 |
| Chilaw Branch<br>Radaguru Edmund Peiris Mawatha, Chilaw | 43.50 | 3,640 | 38,750 | 12,029 | 50,779 | 397 | 50,382 |
| Dummalasuriya Branch<br>227, Kuliyapitiya - Madampe Road, Dummalasuriya | 41.80 | 5,353 | 7,460 | 7,540 | 15,000 | 188 | 14,812 |
| Kurunegala Province Office,<br>AGM's Quarters & Chief Manager's Quarters<br>18, Mihindu mawatha, Kurunegala | 225.00 | 17,210 | 126,402 | 20,900 | 147,302 | 690 | 146,612 |
| Kurunegala Branch<br>Commercial Complex, Kurunegala | - | 15,100 | - | 23,063 | 23,063 | 1,333 | 21,730 |
| Kurunegala Bazaar Branch<br>34, Colombo Road, Kurunegala | 53.00 | 8,915 | 102,555 | 40,000 | 142,555 | 659 | 141,896 |
| Madampe Branch<br>10, Station Road, Madampe | 61.10 | 6,565 | 11,994 | 10,506 | 22,500 | 263 | 22,237 |
| Madurankuliya Branch<br>No 66 , Colombo Road, Madurankuliya | 279.00 | 5,650 | 13,200 | 33,825 | 47,025 | 654 | 46,371 |
| Narammala Branch<br>139, Negombo Road, Narammala | 117.50 | 5,970 | 38,437 | 6,563 | 45,000 | 328 | 44,672 |
| | | | 342,798 | 159,496 | 502,294 | 5,616 | 496,678 |
| **Sabaragamuwa Province** | | | | | | | |
| Balangoda Branch<br>137, Main Street, Balangoda | 14.50 | 3,556 | 18,643 | 1,357 | 20,000 | 97 | 19,903 |
| Dehiowita Branch<br>62 Main Street, Dehiowita | 38.60 | 2,088 | 3,498 | 1,502 | 5,000 | 38 | 4,962 |
| Kegalle Branch<br>110, Colombo Road, Kegalle | 131.38 | 18,023 | 80,250 | 19,750 | 100,000 | 731 | 99,269 |
| Ratnapura Branch<br>6, Dharmapala Mawatha, Ratnapura | 100.00 | 9,013 | 49,000 | 12,017 | 61,017 | 480 | 60,537 |
| Ratnapura Branch<br>58, Main Street, Ratnapura | 31.69 | - | 28,000 | - | 28,000 | - | 28,000 |
| | | | 179,391 | 34,626 | 214,017 | 1,346 | 212,671 |

**31 Property, plant and equipment** (Contd.)

| Name of premises | Extent (Perches) | Building (Square feet) | Cost/ revaluation of land Rs.'000 | Cost/ revaluation of building Rs.'000 | Total value Rs.'000 | Accumulated depreciation Rs.'000 | Net book value Rs.'000 |
|---|---|---|---|---|---|---|---|
| **Southern Province** | | | | | | | |
| Ambalangoda Branch<br>274, Main Street, Ambalangoda | 58.00 | - | 40,000 | 39,677 | 79,677 | 867 | 78,810 |
| Ambalantota Branch<br>11 Wanduruppa Road, Ambalantota | 38.00 | 6,041 | 8,369 | 10,131 | 18,500 | 253 | 18,247 |
| Galle Province Office<br>2, Light House Street, Fort, Galle | 32.63 | 13,060 | 4,000 | 9,860 | 13,860 | 2,074 | 11,786 |
| Galle Branch<br>2, Gamini Road, Galle | 31.50 | 12,570 | 49,940 | 15,661 | 65,601 | 756 | 64,845 |
| Hakmana Branch<br>Beliatta Road, Hakmana | 36.70 | 3,250 | 5,282 | 3,968 | 9,250 | 113 | 9,137 |
| Imaduwa Branch<br>Ahangama Road, Imaduwa | 83.50 | 2,300 | 12,838 | 2,662 | 15,500 | 83 | 15,417 |
| Matara Branch<br>11, Kumaratunga Mawatha, Matara | 104.50 | 13,514 | 47,220 | 12,780 | 60,000 | 639 | 59,361 |
| Matara Bazaar Branch<br>Gunawardena Mawatha, Matara | 49.25 | - | 43,000 | - | 43,000 | - | 43,000 |
| Tangalle Branch<br>No. 145/147, Sea Street, Tangalle | 21.05 | - | 12,500 | - | 12,500 | - | 12,500 |
| Weligama Branch<br>239 Main Street, Weligama | 97.50 | 8,500 | 16,835 | 14,165 | 31,000 | 354 | 30,646 |
| | | | 239,984 | 108,904 | 348,888 | 5,139 | 343,749 |
| **Uva Province** | | | | | | | |
| Badulla Province Office<br>Bank Road, Badulla | 118.75 | 9,048 | 15,000 | 10,000 | 25,000 | 250 | 24,750 |
| Bandarawela Branch<br>198 B, Badulla Road, Bandarawela | 9.52 | 7,731 | 17,973 | 17,167 | 35,140 | 428 | 34,712 |
| Haputale Branch<br>20, Station Road, Haputale | - | 4,775 | 18,577 | 5,327 | 23,904 | 263 | 23,641 |
| Monaragala Branch & Manager's Quarters<br>401, Wellawaya Road, Moneragala | 90.10 | 9,033 | 30,000 | 34,000 | 64,000 | 850 | 63,150 |
| Monaragala Staff Quarters<br>401, Wellawaya Road, Moneragala | 230.00 | 3,042 | 18 | 440 | 458 | 371 | 87 |
| | | | 81,568 | 66,934 | 148,502 | 2,162 | 146,340 |
| **Western Province North** | | | | | | | |
| Borella Branch<br>71, Danister de Silva Mawatha, Borella | 42.62 | 19,195 | 136,700 | 48,300 | 185,000 | 1,208 | 183,792 |
| Colombo 1 - City Office<br>41, Bristol Street, Colombo 1 | 39.50 | 24,952 | 211,000 | 89,000 | 300,000 | 2,225 | 297,775 |
| Colombo 1 -Grand Oriental Hotel<br>York sreet, Colombo 01 | 181.85 | 232,801 | 660,328 | 739,672 | 1,400,000 | 18,492 | 1,381,508 |
| Grand Pass Branch<br>703, Sirimavo Bandaranaike Mawatha, Grandpass | 20.12 | 6,295 | 12,000 | 10,576 | 22,576 | 1,932 | 20,644 |
| Gampaha Branch<br>170, Colombo Road, Gampaha | 34.06 | - | 58,446 | - | 58,446 | - | 58,446 |
| Ja Ela Branch<br>19, Negombo Road, Ja-ela | 40.64 | 8,090 | 58,592 | 16,408 | 75,000 | 410 | 74,590 |
| Kadawatha Branch<br>469, Ragama Road, Kadawatha | 28.86 | 6,181 | 22,420 | 14,030 | 36,450 | 351 | 36,099 |
| Negombo Branch<br>118, Rajapakse Broadway, Negombo | 97.25 | 16,754 | 103,988 | 34,662 | 138,650 | 867 | 137,783 |
| Pettah Branch<br>212/63, Gas Work Street, Colombo 11 | 28.29 | 24,530 | 177,978 | 22,022 | 200,000 | 881 | 199,119 |
| | | | 1,441,452 | 974,670 | 2,416,122 | 26,366 | 2,389,756 |

**31 Property, plant and equipment** (Contd.)

| Name of Premises | Extent (Perches) | Building (Square feet) | Cost/ revaluation of land Rs.'000 | Cost/ revaluation of building Rs.'000 | Total value Rs.'000 | Accumulated depreciation Rs.'000 | Net Book value Rs.'000 |
|---|---|---|---|---|---|---|---|
| **Western Province South** | | | | | | | |
| Aluthgama Branch<br>267, Galle Road, Aluthgama | 36.60 | - | 23,000 | 32,152 | 55,152 | 219 | 54,933 |
| Bambalapitiya Branch<br>No.10, Unity Plaza Bldg., Galle Road, Co.4 | - | 7,776 | - | 110,000 | 110,000 | 2,750 | 107,250 |
| Beruwala Branch<br>No.165A, Galle Road, Beruwala | 21.50 | 5,418 | 28,173 | 9,827 | 38,000 | 246 | 37,754 |
| Dehiwala Branch<br>207, Galle Road, Dehiwela | 22.00 | 12,715 | 71,120 | 28,880 | 100,000 | 722 | 99,278 |
| Horana Branch<br>87, Anguruwathota Road, Horana | 70.00 | 8,078 | 52,478 | 8,224 | 60,702 | 305 | 60,397 |
| Idama Branch<br>707, Galle Road, Moratuwa | 61.12 | 7,550 | 55,938 | 14,062 | 70,000 | 352 | 69,648 |
| Kalutara Area Office<br>108, Old Road, Kalutara | 22.50 | 3,060 | 10,283 | 967 | 11,250 | 121 | 11,129 |
| Kalutara Branch<br>218, Galle Road, Kalutara South, Kalutara | 40.86 | 9,885 | 58,229 | 11,771 | 70,000 | 471 | 69,529 |
| Maharagama Branch<br>No.88, Highlevel Road, Maharagama | 80.00 | 45,245 | 171,364 | 82,152 | 253,516 | 2,738 | 250,778 |
| Matugama Branch<br>No72, Agalawatte Road, Matugama | 9.50 | 2,883 | 10,391 | 3,609 | 14,000 | 278 | 13,722 |
| Nugegoda Branch<br>174, Highlevel Road, Nugegoda, | 30.50 | 38,108 | 95,000 | 34,919 | 129,919 | 7,245 | 122,674 |
| Panadura Branch<br>No.4, Super Grade Branch, Susantha Mawatha, Panadura | 80.00 | 6,490 | 48,447 | 11,553 | 60,000 | 462 | 59,538 |
| Wadduwa Branch<br>557A, Galle Road, Wadduwa | 29.00 | - | 3,179 | - | 3,179 | - | 3,179 |
| Wellawatte Branch<br>149, Galle Road, Colombo 06 | 51.25 | 15,798 | 184,500 | 40,500 | 225,000 | 1,013 | 223,987 |
| | | | 812,102 | 388,616 | 1,200,718 | 16,922 | 1,183,796 |
| **Holiday Homes & Rests** | | | | | | | |
| Badulla Fernham Bungalow & Property<br>153, Spring Valley Road, Badulla | 222.25 | 4,580 | 14,400 | 3,600 | 18,000 | 240 | 17,760 |
| Bandarawela Holiday Home<br>Bandarawela | 115.00 | 3,028 | 45 | 2,202 | 2,247 | 1,290 | 957 |
| Dickoya Upper/lower Glencarn Bungalow<br>Dickoya | - | 7,807 | 4,000 | 24,000 | 28,000 | 960 | 27,040 |
| Haputale Woodland Bungalow<br>Haputale | - | 3,005 | 8,120 | 3,880 | 12,000 | 194 | 11,806 |
| Lindula Ridge Holiday Home<br>Lindula | - | 3,412 | 1,250 | 3,750 | 5,000 | 150 | 4,850 |
| Nuwara Eliya Holiday Home<br>16, Hill Street, Nuwara Eliya | 185.06 | 3,388 | 30,116 | 6,884 | 37,000 | 172 | 36,828 |
| | | | 57,931 | 44,316 | 102,247 | 3,006 | 99,241 |

**31 Property, plant and equipment** (Contd.)

| Name of Premises | Extent (Perches) | Building (Square feet) | Cost/ revaluation of land Rs.'000 | Cost/ revaluation of building Rs.'000 | Total Value Rs.'000 | Accumulated depreciation Rs.'000 | Net Book value Rs.'000 |
|---|---|---|---|---|---|---|---|
| **Others** | | | | | | | |
| General Manager's Bungalow 75, Ananda Kumaraswamy Mawatha, Colombo 7 | 79.80 | 7,450 | 315,250 | 4,750 | 320,000 | 237 | 319,763 |
| Colombo Darly Road Stores Browns Building, 497, T B Jayah Mawatha, Colombo | 151.00 | 22,337 | 590,000 | 15,000 | 605,000 | 375 | 604,625 |
| World Trade Centre 8, Bank of Ceylon Mw,Colombo 1 | - | 6,935 | - | 115,000 | 115,000 | 2,875 | 112,125 |
| Kollupitiya - Walkers Sons Limited 28 St. Michael's Road, Cololmbo 03 | 57.00 | | 23,311 | - | 23,311 | - | 23,311 |
| Maharagama - Central Training Institute No.88, Highlevel Road, Maharagama | 105.10 | 36,775 | 171,364 | 75,120 | 246,484 | 2,504 | 243,980 |
| | | | 1,099,925 | 209,870 | 1,309,795 | 5,991 | 1,303,804 |
| Total freehold land and building | | | 5,261,258 | 2,224,125 | 7,485,383 | 75,595 | 7,409,788 |

| As at 31st December | Freehold land Rs '000 | Freehold building Rs '000 | Leasehold building Rs '000 | Equipment Rs '000 | Motor vehicles Rs '000 | Leasehold motor vehicles Rs '000 | Capital work in progress Rs '000 | 2011 Total Rs '000 | 2010 Total Rs '000 |
|---|---|---|---|---|---|---|---|---|---|
| **Group** | | | | | | | | | |
| **31.2 Cost or valuation** | | | | | | | | | |
| As at 1st January | 1,592,925 | 4,258,720 | 803,690 | 7,333,195 | 638,917 | 50,388 | 233,772 | 14,911,607 | 14,018,606 |
| Additions during the year | | | | | | | | | |
| Acquisitions | 58,446 | 33,519 | 6,554 | 807,034 | 117,764 | - | 538,538 | 1,561,855 | 1,233,559 |
| Capitalisations | | 121,245 | 72,447 | - | - | - | (193,692) | - | (127,277) |
| Revaluation surplus | 3,605,707 | 1,108,472 | - | - | - | - | - | 4,714,179 | |
| Disposals during the year | - | (19,544) | | (240,158) | (40,058) | - | - | (299,760) | (158,757) |
| Exchange rate adjustments | - | 8,323 | - | (13,694) | (615) | - | - | (5,986) | (908) |
| Transfer to equipment | - | (43,926) | (5,626) | 49,552 | - | - | - | - | - |
| Transfer of accumulated depreciation on assets revaluation | - | (310,587) | - | - | - | - | - | (310,587) | - |
| Transfers/adjustments | 14,141 | (8,941) | 10,121 | 112,449 | 10,705 | (11) | - | 138,464 | (53,616) |
| As at 31st December | 5,271,219 | 5,147,281 | 887,186 | 8,048,378 | 726,713 | 50,377 | 578,618 | 20,709,772 | 14,911,607 |
| **Accumulated depreciation** | | | | | | | | | |
| As at 1st January | - | 1,609,242 | 363,645 | 5,207,698 | 340,750 | 19,964 | - | 7,541,299 | 6,946,549 |
| Charge for the year | - | 131,493 | 39,957 | 654,584 | 111,001 | 12,596 | - | 949,631 | 889,616 |
| Transfer to equipment | - | (40,712) | (5,034) | 45,746 | - | - | - | - | - |
| Transfer of accumulated depreciation on assets revaluation | - | (310,587) | - | - | - | - | - | (310,587) | - |
| Disposals during the year | - | (17,272) | - | (237,256) | (26,939) | - | - | (281,467) | (153,622) |
| Exchange rate adjustments | - | 111 | - | (5,284) | (283) | - | - | (5,456) | (906) |
| Transfers/adjustments * | - | 8,137 | 2,222 | 77,854 | 6,677 | - | - | 94,890 | (140,338) |
| As at 31st December | - | 1,380,412 | 400,790 | 5,743,342 | 431,206 | 32,560 | - | 7,988,310 | 7,541,299 |
| **Net book value as at 31st December 2011** | 5,271,219 | 3,766,869 | 486,396 | 2,305,036 | 295,507 | 17,817 | 578,618 | 12,721,462 | |
| **Net book value as at 31st December 2010** | 1,592,925 | 2,649,478 | 440,045 | 2,125,497 | 298,167 | 30,424 | 233,772 | | 7,370,308 |

* Transfers/adjustments consist mainly of transfers from freehold property to leasehold property

**31 Property, plant and equipment** (Contd.)

**31.2 (a)**

The detailed classification of the "equipment" is given in Note No. 31.11 (a) & (b)

Capital work in progress which is accounted for on the basis of value of work certified includes mobilisation of advances and other construction expenses

The amount of commitments for the acquisition of property, plant and equipment is given in the Note No. 44.1.2 (a).

**31.3 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 Balance Sheet date.

**31.4 Property, plant and equipment pledged as security for liabilities**

No freehold property, plant and equipment have been pledged as security for any liability.

**31.5 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 whcih were impaired, loss or given up.

**31.6 Fully depreciated property, plant & equipment**

The initial cost of fully depreciated property, plant & equipment at the end of year 2011, which are still in use are as follows :

| As at 31st December | Bank | | Group | |
|---|---|---|---|---|
| | 2011 Rs '000 | 2010 Rs '000 | 2011 Rs '000 | 2010 Rs '000 |
| Motor vehicles | 98,364 | 96,250 | 110,424 | 103,055 |
| Computer equipment | 1,763,791 | 1,458,630 | 1,786,339 | 1,465,876 |
| Computer software | 1,209,123 | 1,177,284 | 1,209,123 | 1,177,650 |
| Equipment, furniture, & fittings | 401,716 | 357,531 | 495,911 | 461,800 |
| Leasehold building | 78,443 | 56,764 | 78,443 | 56,764 |
| Machines, plant & machinery | 509,083 | 427,588 | 510,915 | 429,420 |
| | 4,060,520 | 3,574,047 | 4,191,155 | 3,694,565 |

**31.7 Temporarily idle property, plant & equipment**

There were no temporarily idle property, plant and equipment as at the balance sheet date.

**31.8 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 SLAS 38 (Revised 2006) "Non-current assets held for sale and discontinued operations"

**31.9 Freehold properties**

The carrying value of the revaluation properties that would have been recognised in the Financial Statements, if they were carried at cost less accumulated depreciation is as follows :

| As at 31st December | 2011 | | | 2010 | | |
|---|---|---|---|---|---|---|
| **Bank** | Cost Rs' 000 | Accumulated depreciation Rs' 000 | Net book value Rs' 000 | Cost Rs' 000 | Accumulated depreciation Rs' 000 | Net book value Rs' 000 |
| Land | 101,667 | - | 101,667 | 43,221 | - | 43,221 |
| Building | 836,370 | (382,076) | 454,294 | 702,359 | (361,167) | 341,192 |
| | 938,037 | (382,076) | 555,961 | 745,580 | (361,167) | 384,413 |
| **Group** | | | | | | |
| Land | 111,628 | - | 111,628 | 53,182 | - | 53,182 |
| Building | 839,313 | (382,947) | 456,366 | 705,302 | (361,891) | 343,411 |
| | 950,941 | (382,947) | 567,994 | 758,484 | (361,891) | 396,593 |

**31 Property, plant and equipment** (Contd.)

**31.10 Revaluation of freehold properties**

Bank's freehold land & buildings were revalued by professionally qualified independent valuers as at 31 December 2010 based on an open market value of existing use and the revaluation surplus of Rs.4,714 million was recognised in the Financial Statements of year 2011 with the permission of the Monetary Board of the Central Bank of Sri Lanka. The details of the revaluation is given below :

| Name of premises | Valuer | Cost of land Rs' 000 | Revalued amount of land Rs' 000 | Surplus /(Loss) of land Rs' 000 | Written down value of buildings Rs' 000 | Revalued amount of buildings Rs' 000 | Surplus/ (loss) of buildings Rs' 000 |
|---|---|---|---|---|---|---|---|
| **Central Province** | | | | | | | |
| Galaha Branch | Sarath G Fernando | 1,500 | 1,991 | 491 | 4,514 | 6,009 | 1,495 |
| Gampola Branch | Sarath G Fernando | 875 | 74,836 | 73,961 | 5,472 | 10,164 | 4,692 |
| Hatton Branch | KTD Tissera | 5,000 | 86,667 | 81,667 | 6,880 | 13,333 | 6,453 |
| Hatton Staff Qurt's | KTD Tissera | 4,000 | 33,962 | 29,962 | 5,883 | 11,038 | 5,155 |
| Kandy 2nd City Branch | AG Gunarathna | 34,500 | 182,170 | 147,670 | 17,452 | 17,830 | 378 |
| Maskeliya Branch | KTD Tissera | 2,000 | 24,659 | 22,659 | 2,718 | 10,341 | 7,623 |
| Nawalapitiya Branch | Sarath G Fernando | 3,066 | 13,000 | 9,934 | 11,069 | 12,000 | 931 |
| Nuwara Eliya Branch | KTD Tissera | 85,000 | 309,867 | 224,867 | 11,999 | 40,133 | 28,134 |
| Nuwara Eliya Staff Qurt's | KTD Tissera | 8,000 | 33,778 | 25,778 | 2,015 | 6,222 | 4,207 |
| Thalawakele Branch | Sarath G Fernando | 2,500 | 12,454 | 9,954 | 7,502 | 6,046 | (1,456) |
| Thalawakale Staff Qurt's | Sarath G Fernando | 2,000 | 7,747 | 5,747 | 5,641 | 11,253 | 5,612 |
| Nuwara Eliya Property | KTD Tissera | 7,015 | 58,712 | 51,697 | 8,271 | 3,788 | (4,483) |
| | | 155,456 | 839,843 | 684,387 | 89,416 | 148,157 | 58,741 |
| **Eastern Province** | | | | | | | |
| Batticoloa Branch | S Sivakanthan | 16 | 19,209 | 19,193 | 1,488 | 11,791 | 10,303 |
| Mutur Branch | S Sivakanthan | 1,260 | 1,611 | 351 | 205 | 1,189 | 984 |
| Pottuvil Branch | S Sivakanthan | 1,000 | 4,722 | 3,722 | 22,999 | 14,278 | (8,721) |
| Trincomalee Branch | S Sivakanthan | 15 | 34,450 | 34,435 | 2,938 | 15,550 | 12,612 |
| Valachcheni Branch | S Sivakanthan | 285 | 19,953 | 19,668 | 4,549 | 12,047 | 7,498 |
| | | 2,576 | 79,945 | 77,369 | 32,179 | 54,855 | 22,676 |
| **Norhern Province** | | | | | | | |
| Jaffna Area Office | | - | - | - | 824 | 11,760 | 10,936 |
| Jaffna Branch | MA Kumarakulasingam | 115 | 64,749 | 64,634 | 1,938 | 13,491 | 11,553 |
| Mannar Branch (Ice Factory) | S Sivakanthan | 185 | 5,570 | 5,385 | 268 | 6,930 | 6,662 |
| Nelliadi Branch | MA Kumarakulasingam | 15,686 | 16,000 | 314 | - | - | - |
| | | 15,986 | 86,319 | 70,333 | 3,030 | 32,181 | 29,151 |
| **North Western Province** | | | | | | | |
| Chilaw Branch | DC Sosa | 14,000 | 38,750 | 24,750 | 7,284 | 11,250 | 3,966 |
| Dummalasooriya Branch | DC Sosa | 3,500 | 7,460 | 3,960 | 4,029 | 7,540 | 3,511 |
| Kurunagala AGM's Qurt's | DC Sosa | 45,000 | 126,402 | 81,402 | 8,012 | 15,153 | 7,141 |
| Kurunagala CM's Qurt's | DC Sosa | 55,000 | 102,555 | 47,555 | 15,801 | 23,063 | 7,262 |
| Kurunagala Province Office | DC Sosa | - | - | - | 3,890 | 3,302 | (588) |
| Kurunagala Branch | DC Sosa | - | - | - | 3,527 | 2,143 | (1,384) |
| Kurunagala 2nd City Branch | DC Sosa | - | - | - | 8,777 | 40,000 | 31,223 |
| Madampe Branch | DC Sosa | 4,053 | 11,994 | 7,941 | 5,120 | 10,506 | 5,386 |
| Narammala Branch | SN Wijepala | 5,500 | 38,437 | 32,937 | 2,812 | 6,563 | 3,751 |
| Madurankuliya Branch | DC Sosa | 445 | 13,200 | 12,755 | - | - | - |
| | | 127,498 | 338,798 | 211,300 | 59,252 | 119,520 | 60,268 |

**31 Property, plant and equipment** (Contd.)

| Name of premises | Valuer | Cost of land Rs' 000 | Revalued amount of land Rs' 000 | Surplus /(loss) of land Rs' 000 | Written down value of buildings Rs' 000 | Revalued amount of buildings Rs' 000 | Surplus/ (loss) of buildings Rs' 000 |
|---|---|---|---|---|---|---|---|
| **Sabaragamuwa Province** | | | | | | | |
| Balangoda Branch | AG Gunarathna | 8,500 | 18,643 | 10,143 | 766 | 1,357 | 591 |
| Dehiowita Branch | AG Gunarathna | 1,500 | 3,498 | 1,998 | 2,533 | 1,502 | (1,031) |
| Kegalle Branch | AG Gunarathna | 17,000 | 80,250 | 63,250 | 17,277 | 19,750 | 2,473 |
| Ratnapura Branch | KB Herath | 20,000 | 49,000 | 29,000 | 6,919 | 12,000 | 5,081 |
| Ratnapura City Branch | SN Wijepala | 10,439 | 28,000 | 17,561 | - | - | - |
| | | 57,439 | 179,391 | 121,952 | 27,495 | 34,609 | 7,114 |
| **Southern Province** | | | | | | | |
| Ambalantota Branch | GA Gunawardena | 2,250 | 8,369 | 6,119 | 816 | 10,131 | 9,315 |
| Galle Branch | SN Wijepala | 6,300 | 49,940 | 43,640 | 7,161 | 15,060 | 7,899 |
| Hakmana Branch | GJ Sumanasena | 263 | 5,282 | 5,019 | 2,221 | 3,968 | 1,747 |
| Imaduwa Branch | GJ Sumanasena | 3,000 | 12,838 | 9,838 | 2,604 | 2,662 | 58 |
| Matara Branch | AG Gunarathna | 21,000 | 47,220 | 26,220 | 10,357 | 12,780 | 2,423 |
| Weligama Branch | GA Gunawardena | 831 | 16,835 | 16,004 | 3,687 | 14,165 | 10,478 |
| Ambalangoda Branch | SN Wijepala | 12,166 | 40,000 | 27,834 | - | - | - |
| Matara Bazaar Branch | AG Gunarathna | 14,039 | 43,000 | 28,961 | - | - | - |
| Tangalle Branch | AG Gunarathna | 13,134 | 12,500 | (634) | - | - | - |
| | | 72,983 | 235,984 | 163,001 | 26,846 | 58,766 | 31,920 |
| **Uva Province** | | | | | | | |
| Badulla Uva Pro.Office | KTD Tissera | 7,000 | 15,000 | 8,000 | 4,966 | 10,000 | 5,034 |
| Bandarawela Branch | KTD Tissera | 7,500 | 17,973 | 10,473 | 6,839 | 17,027 | 10,188 |
| Haputale Branch | SN Wijepala | 2,753 | 18,577 | 15,824 | 1,833 | 4,423 | 2,590 |
| Monaragala Branch | KB Herath | 45 | 30,000 | 29,955 | 9,214 | 34,000 | 24,786 |
| | | 17,298 | 81,550 | 64,252 | 22,852 | 65,450 | 42,598 |
| **Western Province North** | | | | | | | |
| Colombo 1 - City Office | KTD Tissera | 100,000 | 211,000 | 111,000 | 39,471 | 89,000 | 49,529 |
| Colombo 1 - G.O.H (Y.S.B) | PB Kalugalagedara | 467,225 | 660,328 | 193,103 | 267,027 | 739,672 | 472,645 |
| Ja Ela Branch | SN Wijepala | 14,158 | 58,594 | 44,436 | 9,130 | 16,406 | 7,276 |
| Kadawatha Branch | DHW Dissanayake | 10,000 | 22,420 | 12,420 | 9,339 | 14,030 | 4,691 |
| Negombo Branch | DHW Dissanayake | 55,000 | 103,988 | 48,988 | 11,864 | 34,662 | 22,798 |
| Pettah Branch | SN Wijepala | 28,440 | 177,978 | 149,538 | 23,701 | 22,022 | (1,679) |
| Borella S.G | SN Wijepala | 30,000 | 136,700 | 106,700 | 36,517 | 48,300 | 11,783 |
| | | 704,823 | 1,371,008 | 666,185 | 397,049 | 964,092 | 567,043 |
| **Western Province South** | | | | | | | |
| Bambalapitiya Branch | PB Kalugalagedara | - | - | - | 19,284 | 110,000 | 90,716 |
| Beruwala Branch | PMB Fernando | 26,319 | 28,173 | 1,854 | 10,569 | 9,827 | (742) |
| Dehiwala Branch | PB Kalugalagedara | 2,225 | 71,120 | 68,895 | 16,422 | 28,880 | 12,458 |
| Horana Branch | AG Gunarathna | 6,000 | 52,478 | 46,478 | 8,996 | 7,522 | (1,474) |
| Idama Branch | PMB Edmund | 8,000 | 55,938 | 47,938 | 18,710 | 14,062 | (4,648) |
| Kalutara Area Office | GJ Sumanasena | 4,500 | 10,283 | 5,783 | 1,899 | 967 | (932) |
| Kalutara Branch | SN Wijepala | 17,000 | 58,229 | 41,229 | 5,855 | 11,771 | 5,916 |
| Maharagama Branch | SN Wijepala | 11,438 | 171,364 | 159,926 | 9,266 | 82,152 | 72,886 |
| Matugama Branch | AG Gunarathna | 4,500 | 10,391 | 5,891 | 3,227 | 3,609 | 382 |
| Panadura Branch | SN Wijepala | 4,000 | 48,447 | 44,447 | 4,500 | 11,553 | 7,053 |
| Wellawatte Branch | PB Kalugalagedara | 20,510 | 184,500 | 163,990 | 21,234 | 40,500 | 19,266 |
| Aluthgama Branch | SN Wijepala | 3,435 | 23,000 | 19,565 | - | - | - |
| | | 107,927 | 713,923 | 605,996 | 119,962 | 320,843 | 200,881 |

**31 Property, plant and equipment** (Contd.)

| Name of premises | Valuer | Cost of land Rs' 000 | Revalued amount of land Rs' 000 | Surplus /(loss) of land Rs' 000 | Written down value of building Rs' 000 | Revalued amount buildings Rs' 000 | Surplus/ (loss) of building Rs' 000 |
|---|---|---|---|---|---|---|---|
| **Holiday Homes & Rests** | | | | | | | |
| Badulla Fernham Bung. | KTD Tissera | 1,071 | 14,400 | 13,329 | 5,136 | 3,600 | (1,536) |
| Dickoya Upper Glencarn Bung. | KTD Tissera | 527 | 2,571 | 2,044 | 3,206 | 15,429 | 12,223 |
| Dicokya Lower Glencarn Bung. | KTD Tissera | 352 | 1,429 | 1,077 | 2,550 | 8,571 | 6,021 |
| Haputale Woodland Bungalow | SN Wijepala | 1,853 | 8,120 | 6,267 | 1,844 | 3,880 | 2,036 |
| Lindula Ridge Holiday Home | KTD Tissera | 1,128 | 1,250 | 122 | 2,551 | 3,750 | 1,199 |
| Nuwara Eliya Holiday Home | KTD Tissera | 200 | 30,116 | 29,916 | 1,562 | 6,884 | 5,322 |
| | | 5,131 | 57,886 | 52,755 | 16,849 | 42,114 | 25,265 |
| **Others** | | | | | | | |
| Colombo 7 - GM's Bangalow | PB Kalugalagedara | 80,000 | 315,250 | 235,250 | 6,829 | 4,750 | (2,079) |
| Colombo Darly Rd. Browns Bldg | KB Hearath | 96,999 | 590,000 | 493,001 | 4,418 | 15,000 | 10,582 |
| World Trade Centre Colombo 1 | PPT Mohideen | - | - | - | 109,439 | 115,000 | 5,561 |
| Maharagama C.T.I | S N Wijepala | 11,438 | 171,364 | 159,926 | 26,369 | 75,120 | 48,751 |
| | | 188,437 | 1,076,614 | 888,177 | 147,055 | 209,870 | 62,815 |
| Grand Total | | 1,455,554 | 5,061,261 | 3,605,707 | 941,985 | 2,050,457 | 1,108,472 |

**As at 31st December**

| **31.11 Equipment** | Computer equipment Rs' 000 | Furniture & fittings Rs' 000 | Office equipment Rs' 000 | 2011 Total Rs' 000 | 2010 Total Rs' 000 |
|---|---|---|---|---|---|
| **31.11 (a) Bank** | | | | | |
| **Cost** | | | | | |
| Balance as at 1st January | 3,695,035 | 1,742,133 | 1,428,846 | 6,866,014 | 6,419,846 |
| Additions during the year | 352,069 | 224,291 | 161,386 | 737,746 | 645,393 |
| Disposals during the year | (150,308) | (33,042) | (44,440) | (227,790) | (120,461) |
| Transfer to Bank of Ceylon (UK) Limited | - | - | - | - | (76,097) |
| Transfer to office equipment | - | - | 49,552 | 49,552 | - |
| Adjustments/transfers | (350) | (14) | - | (364) | (1,683) |
| Exchange rate adjustments | (10,257) | (2,122) | (1,573) | (13,952) | (984) |
| Balance as at 31st December | 3,886,189 | 1,931,246 | 1,593,771 | 7,411,206 | 6,866,014 |
| **Accumulated depreciation** | | | | | |
| Balance as at 1st January | 2,966,813 | 993,763 | 902,990 | 4,863,566 | 4,426,318 |
| Charge for the year | 324,975 | 164,835 | 115,486 | 605,296 | 631,771 |
| Disposals during the year | (150,237) | (32,370) | (44,412) | (227,019) | (118,980) |
| Transfer to Bank of Ceylon (UK) Limited | - | - | - | - | (74,575) |
| Transfer to office equipment | - | - | 45,746 | 45,746 | - |
| Exchange rate adjustments | (8,424) | (2,723) | (453) | (11,600) | (968) |
| Balance as at 31st December | 3,133,127 | 1,123,505 | 1,019,357 | 5,275,989 | 4,863,566 |
| **Net book value as at December 2011** | 753,062 | 807,741 | 574,414 | 2,135,217 | |
| **Net book value as at December 2010** | 728,222 | 748,370 | 525,856 | | 2,002,448 |

## 31 Property, plant and equipment (Contd.)

| As at 31st December | Computer equipment Rs' 000 | Furniture & fittings Rs' 000 | Office equipment Rs' 000 | 2011 Total Rs' 000 | 2010 Total Rs' 000 |
|---|---|---|---|---|---|
| **31.11 (b) Group** | | | | | |
| **Cost** | | | | | |
| Balance as at 1st January | 3,850,618 | 2,014,124 | 1,468,453 | 7,333,195 | 7,204,244 |
| Additions during the year | 379,130 | 254,297 | 173,607 | 807,034 | 683,067 |
| Disposals during the year | (157,679) | (36,637) | (45,842) | (240,158) | (120,502) |
| Exchange rate adjustments | (10,139) | (1,982) | (1,573) | (13,694) | (984) |
| Transfer to office equipment | - | - | 49,552 | 49,552 | - |
| Transfer from equipment to freehold building | - | - | - | - | (386,190) |
| Work in progress capitalised | - | - | - | - | 20,285 |
| Adjustments/Transfers | 94,841 | 8,385 | 9,223 | 112,449 | (66,725) |
| Balance as at 31st December | 4,156,771 | 2,238,187 | 1,653,420 | 8,048,378 | 7,333,195 |
| **Accumulated depreciation** | | | | | |
| Balance as at 1st January | 3,088,129 | 1,189,714 | 929,855 | 5,207,698 | 5,118,808 |
| Charge for the year | 351,495 | 180,863 | 122,226 | 654,584 | 665,175 |
| Disposals during the year | (156,058) | (35,760) | (45,438) | (237,256) | (119,019) |
| Exchange rate adjustments | (2,943) | (2,227) | (114) | (5,284) | (967) |
| Transfer to office equipment | - | - | 45,746 | 45,746 | - |
| Transfer from equipment to freehold building | - | - | - | - | (380,955) |
| Adjustments/Transfers | 67,309 | (5,714) | 16,259 | 77,854 | (75,344) |
| Balance as at 31st December | 3,347,932 | 1,326,876 | 1,068,534 | 5,743,342 | 5,207,698 |
| **Net book value as at December 2011** | **808,839** | **911,311** | **584,886** | **2,305,036** | |
| **Net book value as at December 2010** | **762,489** | **824,410** | **538,598** | | **2,125,497** |

| As at 31st December | Bank 2011 Rs '000 | Bank 2010 Rs '000 | Group 2011 Rs '000 | Group 2010 Rs '000 |
|---|---|---|---|---|
| **32 Leasehold land** | | | | |
| **Cost** | | | | |
| Balance as at 1st January | 90,179 | 73,658 | 156,412 | 139,891 |
| Additions during the year | 360 | 16,521 | 360 | 16,521 |
| Adjustments/Transfers | 45 | - | 45 | - |
| Balance as at 31st December | 90,584 | 90,179 | 156,817 | 156,412 |
| **Accumulated amortisation** | | | | |
| Balance as at 1st January | 12,664 | 10,368 | 36,434 | 32,781 |
| Amortisation during the year | 1,605 | 2,296 | 2,962 | 3,653 |
| Adjustments/Transfers | 45 | - | 45 | - |
| Balance as at 31st December | 14,314 | 12,664 | 39,441 | 36,434 |
| Net book value | 76,270 | 77,515 | 117,376 | 119,978 |

Leasehold land represents the leasehold interest in the lands held for own use. The value of buildings situated in the leasehold land is shown seperately under property, plant & equipment. The interest on leasehold land is stated at cost less accumulated amortisation.

| As at 31st December | Bank 2011 Rs '000 | Bank 2010 Rs '000 | Group 2011 Rs '000 | Group 2010 Rs '000 |
|---|---|---|---|---|
| **33 Intangible assets** | | | | |
| **Cost** | | | | |
| Balance as at 1st January | 1,518,614 | 1,411,831 | 1,560,707 | 1,450,670 |
| Additions during the year | 275,283 | 107,887 | 342,450 | 109,473 |
| Disposals during the year | (6,854) | (1,104) | (6,854) | (1,104) |
| Adjustments/Transfers | - | - | - | 1,668 |
| Balance as at 31st December | 1,787,043 | 1,518,614 | 1,896,303 | 1,560,707 |
| **Accumulated amortisation** | | | | |
| Balance as at 1st January | 1,354,788 | 1,301,019 | 1,390,303 | 1,331,465 |
| Amortisation during the year | 96,270 | 54,873 | 99,944 | 59,076 |
| Disposals during the year | (6,854) | (1,104) | (6,854) | (1,104) |
| Adjustments/Transfers | - | - | - | 866 |
| Balance as at 31st December | 1,444,204 | 1,354,788 | 1,483,393 | 1,390,303 |
| Net book value | 342,839 | 163,826 | 412,910 | 170,404 |

Intangible assets represent the value of computer application software systems and subsequent modifications including costs directly attributable in customising for its intended use, and are carried at cost less accumulated amortisation and any impairment losses.

| As at 31st December | Bank 2011 Rs '000 | Bank 2010 Rs '000 | Group 2011 Rs '000 | Group 2010 Rs '000 |
|---|---|---|---|---|
| **34 Deposits** | | | | |
| **Local currency deposits** | | | | |
| Current account deposits | 67,052,815 | 65,312,213 | 66,611,106 | 65,143,847 |
| Current account deposits with Islamic banking | 141,892 | 126,707 | 141,892 | 126,707 |
| Savings deposits | 160,960,763 | 134,914,655 | 161,545,566 | 134,914,569 |
| Savings deposits with Islamic banking | 657,981 | 320,325 | 657,981 | 320,325 |
| Time deposits | 199,125,108 | 155,226,772 | 204,114,102 | 157,867,930 |
| Certificates of deposit | 4,650 | 28,539 | 4,650 | 28,539 |
| Other deposits | 1,579,132 | 1,886,224 | 1,579,321 | 1,886,367 |
| | 429,522,341 | 357,815,435 | 434,654,618 | 360,288,284 |
| **Foreign currency deposits** | | | | |
| Current account deposits | 22,600,864 | 24,086,714 | 23,763,753 | 25,200,786 |
| Savings deposits | 50,654,713 | 54,866,267 | 50,976,963 | 55,141,632 |
| Savings deposits with Islamic banking | 5,643 | - | 5,643 | - |
| Time deposits | 85,005,626 | 86,281,233 | 86,762,222 | 87,504,950 |
| Other deposits | 975,385 | 1,183,048 | 975,385 | 1,183,048 |
| | 159,242,231 | 166,417,262 | 162,483,966 | 169,030,416 |
| Total deposits | 588,764,572 | 524,232,697 | 597,138,584 | 529,318,700 |
| **34.1 Customer-wise analysis of deposits** | | | | |
| Deposits from banks | 1,871,709 | 1,065,756 | 2,731,609 | 1,304,709 |
| Deposits from finance companies | 2,331,884 | 2,538,817 | 2,331,884 | 2,538,817 |
| Deposits from other customers | 584,560,979 | 520,628,124 | 592,075,091 | 525,475,174 |
| Total deposits | 588,764,572 | 524,232,697 | 597,138,584 | 529,318,700 |

Note : The maturity analysis of deposits is given in Note No. 48

| As at 31st December | Bank 2011 Rs '000 | Bank 2010 Rs '000 | Group 2011 Rs '000 | Group 2010 Rs '000 |
|---|---|---|---|---|
| **35 Borrowed funds** | | | | |
| Call money borrowings | 4,500,000 | - | 4,884,805 | 947,581 |
| Term borrowings from banks abroad | 65,146,721 | 43,743,353 | 65,192,099 | 43,743,914 |
| Term borrowings from banks & other institutions in Sri Lanka | 18,458,973 | 2,787,625 | 24,135,552 | 6,826,345 |
| Refinance borrowings | 5,568,349 | 5,914,175 | 5,568,349 | 5,914,175 |
| | 93,674,043 | 52,445,153 | 99,780,805 | 57,432,015 |
| **35.1 Maturity of borrowings** | | | | |
| Not later than 1 year | 60,091,146 | 41,852,436 | 64,955,372 | 45,880,019 |
| Later than 1 year and not later than 5 years | 31,813,166 | 10,189,076 | 33,055,702 | 11,148,355 |
| Later than 5 years | 1,769,731 | 403,641 | 1,769,731 | 403,641 |
| | 93,674,043 | 52,445,153 | 99,780,805 | 57,432,015 |
| **36 Securities sold under re-purchase agreements** | | | | |
| Securities sold under re-purchase agreements | 48,724,319 | 53,522,487 | 48,559,119 | 52,968,787 |
| | 48,724,319 | 53,522,487 | 48,559,119 | 52,968,787 |

The securities sold under re-purchase agreements are debt securities issued by the Bank for short term funding purposes. The interest rate for such securities varied from 5.8% to 9.5% during the year. (2010 : 6.0% to 11.0%)

## 37 Insurance provision

### 37.1 Insurance provision - life

The insurance provision - life balance represents the life fund of MBSL Insurance Company Limited which carries out life and non life insurance business. This balance indicates the liability on account of policyholders which has been actuarially valued and claims/benefits due to life policyholders, which remain unclaimed to the Balance Sheet date.

| As at 31st December | Group 2011 Rs' 000 | Group 2010 Rs' 000 |
|---|---|---|
| Insurance provision - life [37.1 (a)] | 105,978 | 66,365 |
| Unclaimed benefits | 704 | 572 |
| **Total** | **106,682** | **66,937** |

Long term insurance contract liabilities included in the Life Insurance Fund, resulted primarily from traditional non participating life insurance products. Short duration contract liabilities are primarily accident and health insurance products.

The insurance provision has been established based upon the following :

(a) Interest rates that vary by product and as required by regulations issued by the Insurance Board of Sri Lanka;

(b) Mortality rates based on published mortality tables adjusted for actual experience as required by regulations issued by the Insurance Board of Sri Lanka and;

(c) Surrender rates based upon actual experience by geographic area and modified to allow for variations in policy form.

The valuation of the insurance provision - life insurance business as at 31st December 2011 was made by Mr. R Kahakachchi of Actuarial & Management Consultants (Private) Limited for and on behalf of MBSL Insurance Company Limited. In accordence with the consultant actuary's report, the reserve for the year amounts to Rs.105,978,000/- (2010 : 66,365,000/-) in the opinion of consultant actuary, the reserve is adequate to cover the liabilities pertaining to the life insurance businesses.

Further the actuary has estimated that the solvency margin required under the regulation of Insurance Industry Act No 43 of 2000 as Rs.4,787,000/- (2010 : Rs.3,200,000/-).This solvency margin is maintained in the long term insurance fund.

### 37.1(a) Movement in insurance provision - life

| As at 31st December | 2011 Rs' 000 | 2010 Rs' 000 |
|---|---|---|
| Balance as at 1st January | 66,365 | 41,336 |
| Increase/(decrease) during the year | 39,613 | 25,029 |
| Balance as at 31st December | 105,978 | 66,365 |

**37 Insurance provision** (Contd.)

**37.2 Insurance provision - non life**

The general insurance provision represents non life insurance carried out by MBSL Insurance Company Limited.
The reserve for net unearned premium indicates the amount of premium (net of reinsurance) which is attributable to policies written as at 31st December 2011, but covering period after 31st Decemebr 2011.

The reserve for net deferred acquisition cost refers to the commission adjustment (net of reinsurance) linked to the above reserve.

The reserve for gross outstanding claims refers to amount of claims which remain unclaimed as at 31st December 2011.
This reserve includes a reserve for claims incurred but not reported (IBNR).

| | Group | |
|---|---|---|
| **As at 31st December** | **2011 Rs' 000** | **2010 Rs' 000** |
| Reserve for net unearned premiums [Note 37.2 (b)] | 293,141 | 188,504 |
| Reserve for net deferred acquisition cost [Note 37.2 (c)] | (14,596) | (11,717) |
| Reserve for gross outstanding claims [Note 37.2 (d)] | 49,706 | 75,986 |
| Total | 328,251 | 252,773 |
| **37.2 (a) Movement in insurance provision - non life** | | |
| Balance as at 1st January | 252,773 | 181,569 |
| Increase/(decrease) during the year | 75,478 | 71,204 |
| Balance as at 31st December | 328,251 | 252,773 |
| **37.2 (b) Movement in the reserve for net unearned premiums** | | |
| Balance as at 1st January | 188,504 | 157,059 |
| Increase/(decrease) during the year | 104,637 | 31,445 |
| Balance as at 31st December | 293,141 | 188,504 |
| **37.2 (c) Movement in the reserve for net deferred acquisition cost** | | |
| Balance as at 1st January | (11,717) | (11,080) |
| Increase/(decrease) during the year | (2,879) | (637) |
| Balance as at 31st December | (14,596) | (11,717) |
| **37.2 (d) Movement in the reserve for gross outstanding claims** | | |
| Balance as at 1st January | 64,942 | 30,479 |
| Increase/(decrease) during the year | (23,045) | 34,463 |
| Balance as at 31st December | 41,897 | 64,942 |
| **IBNR & IBNER claims reserve** | | |
| Balance as at 1st January | 11,044 | 5,111 |
| Increase/(decrease) during the year | (3,235) | 5,933 |
| Balance as at 31st December | 7,809 | 11,044 |
| Total gross outstanding claims | 49,706 | 75,986 |

Directors are of the opinion that the total of future claims and related expenses will not exceed the unearned premium and premium related to unexpired risks.

The Incurred But Not Reported claim reserve (IBNR) and Incurred But Not Enough Reported claim reserve (IBNER) are determined based on information currently available. However, it is inherent to the nature of the business written that the ultimate liability may vary as a result of subsequent developments.

IBNR & IBNER reserves have been actuarially computed by Mr. N K Parikh of M/S K A Pandith Consultants & Actuaries. The valuation is based on internationally accepted actuarial methods, and is performed on annual basis.

## 38 Deferred tax liabilities

| As at 31st December | Bank 2011 Temporary difference Rs' 000 | Bank 2011 Tax effect Rs' 000 | Bank 2010 Temporary difference Rs' 000 | Bank 2010 Tax effect Rs' 000 | Group 2011 Temporary difference Rs' 000 | Group 2011 Tax effect Rs' 000 | Group 2010 Temporary difference Rs' 000 | Group 2010 Tax effect Rs' 000 |
|---|---|---|---|---|---|---|---|---|
| **38.1 Summary of net deferred tax liability** | | | | | | | | |
| Balance as at 1st January | 1,307,391 | 457,587 | 1,169,866 | 409,453 | 1,398,636 | 489,525 | 1,257,519 | 440,132 |
| Deferred tax effect on revaluation surplus on property | 797,885 | 223,408 | - | - | 797,885 | 223,407 | - | - |
| Amount originating/reversing during the year | 1,848,551 | 426,077 | 137,525 | 48,134 | 2,189,239 | 433,579 | 141,117 | 49,393 |
| Balance as at 31st December | 3,953,827 | 1,107,072 | 1,307,391 | 457,587 | 4,385,760 | 1,146,511 | 1,398,636 | 489,525 |

| | Bank Balance Sheet 2011 Rs' 000 | Bank Balance Sheet 2010 Rs' 000 | Bank Income Statement 2011 Rs' 000 | Bank Income Statement 2010 Rs' 000 | Group Balance Sheet 2011 Rs' 000 | Group Balance Sheet 2010 Rs' 000 | Group Income Statement 2011 Rs' 000 | Group Income Statement 2010 Rs' 000 |
|---|---|---|---|---|---|---|---|---|
| **38.2 Reconciliation of net deferred tax liability** | | | | | | | | |
| Deferred tax liabilities on : | | | | | | | | |
| Accelerated depreciation for tax purposes : | | | | | | | | |
| Own assets | 300,487 | 329,075 | 28,588 | (797) | 365,893 | 421,582 | 55,691 | (9,512) |
| Leased assets | 698,954 | 247,384 | (451,571) | (72,103) | 911,087 | 397,830 | (513,257) | (41,926) |
| | 999,441 | 576,459 | (422,983) | (72,900) | 1,276,980 | 819,412 | (457,566) | (51,438) |
| Revaluation surplus on freehold buildings | 223,408 | - | - | - | 223,408 | - | - | - |
| | 1,222,849 | 576,459 | (422,983) | (72,900) | 1,500,388 | 819,412 | (457,566) | (51,438) |
| Deferred tax assets on : | | | | | | | | |
| Defined benefit plans | 115,777 | 118,872 | (3,094) | 24,766 | 172,483 | 150,171 | 22,312 | 26,604 |
| Unused tax losses | - | - | - | - | 181,394 | 179,716 | 1,675 | (24,559) |
| | 115,777 | 118,872 | (3,094) | 24,766 | 353,877 | 329,887 | 23,987 | 2,045 |
| Deferred income tax on income/expense | | | (426,077) | (48,134) | | | (433,579) | (49,393) |
| Net deferred tax liability | 1,107,072 | 457,587 | | | 1,146,511 | 489,525 | | |

| As at 31st December | Bank 2011 Rs '000 | Bank 2010 Rs '000 | Group 2011 Rs '000 | Group 2010 Rs '000 |
|---|---|---|---|---|
| **39 Other liabilities** | | | | |
| Accrued interest payable | 13,952,570 | 10,630,898 | 14,296,368 | 11,037,435 |
| Payable to employees & suppliers | 1,626,018 | 1,558,308 | 1,626,018 | 1,558,308 |
| Cheques sent on clearing | 490,629 | 769,471 | 490,629 | 769,471 |
| Lease creditors | | | | |
| Within 12 months | 9,456 | 16,805 | 9,456 | 16,805 |
| Later than 12 months | 13,724 | 23,180 | 13,724 | 23,180 |
| Provision for gratuity [Note 39.1] | 416,362 | 346,886 | 615,809 | 484,730 |
| Other liabilities | 4,093,181 | 1,912,844 | 5,082,509 | 2,527,821 |
| | 20,601,940 | 15,258,392 | 22,134,513 | 16,417,750 |
| **39.1 Provision for gratuity** | | | | |
| Balance as at 1st January | 346,886 | 272,620 | 484,730 | 379,910 |
| Provision made during the year | 71,817 | 80,023 | 139,624 | 112,983 |
| Payment made during the year | (2,341) | (5,757) | (12,997) | (8,163) |
| Adjustment/transfers | - | - | 4,452 | - |
| Balance as at 31st December | 416,362 | 346,886 | 615,809 | 484,730 |

| As at 31st December | Bank 2011 Rs '000 | Bank 2010 Rs '000 | Group 2011 Rs '000 | Group 2010 Rs '000 |
|---|---|---|---|---|
| **40 Debentures** | | | | |
| **Listed debentures** | | | | |
| Unsecured, subordinated, redeemable debentures of Rs.100 each (public issue) | 14,424,963 | 9,367,355 | 14,413,880 | 9,356,272 |
| Secured , redeemable debentures of Rs.100 each (public issue) | - | - | 860,000 | - |
| **Unlisted debentures** | | | | |
| Unsecured redeemable debentures of Rs.100 each (private placement) | 24,178,813 | 25,378,813 | 24,365,613 | 25,918,113 |
| Unsecured , subordinated redeemable debentures of Rs.100 each (private placement) | 300,000 | 1,550,000 | 300,000 | 1,550,000 |
| Secured , redeemable debentures of Rs.100 each (private placement) | - | - | 125,000 | 200,000 |
| Unsecured, subordinated, redeemable debentures of US$ 1,000 each (private placement) | 2,462,056 | 2,410,180 | 2,462,056 | 2,410,180 |
| **Total debentures** | **41,365,832** | **38,706,348** | **42,526,549** | **39,434,565** |

**40.1 The movement in debentures issued was as follows:**

| | | | | |
|---|---|---|---|---|
| **40.1 (a) Movement in subordinate debentures** | | | | |
| Balance as at 1st January | 13,327,535 | 9,344,613 | 13,316,452 | 9,339,226 |
| Issued during the year | 5,000,000 | 5,000,000 | 5,000,000 | 4,995,000 |
| Redemptions | (1,250,000) | (1,000,000) | (1,250,000) | (1,000,000) |
| Interest capitalised * | 57,608 | 48,848 | 57,608 | 48,848 |
| Inter company adjustment | - | - | - | (696) |
| Exchange rate adjustment | 51,876 | (65,926) | 51,876 | (65,926) |
| Balance as at 31st December | 17,187,019 | 13,327,535 | 17,175,936 | 13,316,452 |
| **40.1 (b) Movement in senior debentures** | | | | |
| Balance as at 1st January | 25,378,813 | 8,700,000 | 26,118,113 | 9,774,160 |
| Issued during the year | - | 16,678,813 | 1,000,000 | 17,088,113 |
| Redemptions | (1,200,000) | - | (1,627,500) | (744,160) |
| Inter company adjustment | - | - | (140,000) | - |
| Balance as at 31st December | 24,178,813 | 25,378,813 | 25,350,613 | 26,118,113 |

* Interest payable on zero coupon debentures has been capitalised to the value of debentures.

| As at 31st December | Bank 2011 Rs '000 | Bank 2010 Rs '000 | Group 2011 Rs '000 | Group 2010 Rs '000 |
|---|---|---|---|---|
| **40.1 (c) Movement in total debentures - Summary** | | | | |
| Balance as at 1st January | 38,706,348 | 18,044,613 | 39,434,565 | 19,113,386 |
| Issued during the year | 5,000,000 | 21,678,813 | 6,000,000 | 22,083,113 |
| Redemptions | (2,450,000) | (1,000,000) | (2,877,500) | (1,744,160) |
| Interest capitalised * | 57,608 | 48,848 | 57,608 | 48,848 |
| Inter company adjustment | - | - | (140,000) | (696) |
| Exchange rate adjustment | 51,876 | (65,926) | 51,876 | (65,926) |
| Balance as at 31st December | 41,365,832 | 38,706,348 | 42,526,549 | 39,434,565 |

* Interest payable on zero coupon debentures has been capitalised to the value of debentures.

**40 Debentures** (Contd.)

| As at 31st December | Bank 2011 Rs '000 | Bank 2010 Rs '000 | Group 2011 Rs '000 | Group 2010 Rs '000 |
|---|---|---|---|---|
| **40.2 Customer-wise analysis of debentures** | | | | |
| **Debentures issued to third parties** | | | | |
| **Fixed interest rate** | | | | |
| Unsecured, subordinated, redeemable debentures | 3,145,827 | 1,296,323 | 3,145,827 | 1,296,323 |
| Unsecured, redeemable debentures | - | - | 180,000 | 180,000 |
| Secured, redeemable debentures | - | - | 859,960 | - |
| **Floating interest rate** | | | | |
| Unsecured, subordinated, redeemable debentures | 9,795,009 | 9,896,149 | 9,795,009 | 9,896,149 |
| Unsecured, redeemable debentures | - | - | 6,800 | 336,800 |
| Secured, redeemable debentures | - | - | 125,040 | 200,000 |
| | 12,940,836 | 11,192,472 | 14,112,636 | 11,909,272 |
| **Debentures issued to related entities of the Bank/Group** | | | | |
| **Fixed interest rate** | | | | |
| Unsecured, subordinated, redeemable debentures | 2,584,193 | 473,073 | 2,573,110 | 461,990 |
| Unsecured, redeemable debentures | 4,428,813 | 4,428,813 | 4,428,813 | 4,451,313 |
| **Floating interest rate** | | | | |
| Unsecured, subordinated, redeemable debentures | 1,661,990 | 1,661,990 | 1,661,990 | 1,661,990 |
| Unsecured, redeemable debentures | 19,750,000 | 20,950,000 | 19,750,000 | 20,950,000 |
| | 28,424,996 | 27,513,876 | 28,413,913 | 27,525,293 |
| Total debentures | 41,365,832 | 38,706,348 | 42,526,549 | 39,434,565 |
| **40.3 Debentures - Summary** | | | | |
| Subordinated debentures | 17,187,019 | 13,327,535 | 17,175,936 | 13,316,452 |
| Senior debentures | 24,178,813 | 25,378,813 | 25,350,613 | 26,118,113 |
| Total debentures | 41,365,832 | 38,706,348 | 42,526,549 | 39,434,565 |

**40 Debentures** (Contd.)

**40.4 Type of debentures**

| | Notes | Interest payable frequency | Issue date | Maturity date | Coupon rate | | Effective annual rate | | Amount as at 31 December | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | Bank | | Group | |
| | | | | | 2011 % | 2010 % | 2011 % | 2010 % | 2011 Rs' 000 | 2010 Rs' 000 | 2011 Rs' 000 | 2010 Rs' 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 | 19.00 | 19.00 | 345,190 | 345,190 | 339,107 | 339,107 |
| Unsecured, subordinated, redeemable debentures | (a) | At maturity | 24.11.2008 | 24.11.2013 | - | - | 17.61 | 17.61 | 380,383 | 322,775 | 380,383 | 322,775 |
| Unsecured, subordinated, redeemable debentures | (a) | Annually | 28.06.2010 | 28.06.2015 | 11.50 | 11.50 | 11.50 | 11.50 | 1,074,670 | 1,074,670 | 1,069,670 | 1,069,670 |
| Unsecured, subordinated, redeemable debentures | (a) | Annually | 08.12.2011 | 08.12.2016 | 11.00 | | 11.00 | | 3,900,140 | - | 3,900,140 | - |
| Unsecured, subordinated, redeemable debentures | (a) | Semi annually | 08.12.2011 | 08.12.2016 | 10.50 | | 10.50 | | 2,300 | - | 2,300 | - |
| Unsecured, redeemable debentures | | At maturity | 05.05.2010 | 29.09.2011 | - | 15.25 | - | 15.25 | - | - | - | 22,500 |
| Unsecured, redeemable debentures | | Annually | 01.07.2010 | 01.07.2015 | 13.20 | 13.20 | 13.20 | 13.20 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 |
| Unsecured, redeemable debentures | | Annually | 14.07.2010 | 14.07.2015 | 13.20 | 13.20 | 13.20 | 13.20 | 2,000,000 | 2,000,000 | 2,000,000 | 2,000,000 |
| Unsecured, redeemable debentures | | Semi annually | 31.07.2010 | 31.07.2013 | 13.00 | 13.00 | 13.42 | 13.42 | - | - | 80,000 | 80,000 |
| Unsecured, redeemable debentures | | Semi annually | 31.08.2010 | 31.08.2013 | 13.00 | 13.00 | 13.42 | 13.42 | - | - | 100,000 | 100,000 |
| Unsecured, redeemable debentures | | Annually | 17.09.2010 | 17.09.2015 | 11.00 | 11.00 | 11.00 | 11.00 | 1,428,813 | 1,428,813 | 1,428,813 | 1,428,813 |
| Secured, redeemable debentures | | Semi annually | 16.11.2011 | 16.11.2014 | 11.60 | - | 11.60 | - | - | - | 591,880 | - |
| Secured, redeemable debentures | | Semi annually | 16.11.2011 | 16.11.2015 | 11.80 | - | 11.80 | - | - | - | 268,080 | - |
| | | | | | | | | | 10,131,496 | 6,171,448 | 11,160,373 | 6,362,865 |
| **Floating interest rate** | | | | | | | | | | | | |
| Unsecured, subordinated, redeemable debentures (6 months TB rate (Gross) plus 150 basis points) | (b) | Semi annually | 31.12.2003 | 31.12.2011 | - | 10.43 | - | 10.56 | - | 250,000 | - | 250,000 |
| Unsecured, subordinated, redeemable debentures (12 months TB rate (Gross) plus 75 basis points) | (c) | Semi annually | 27.10.2006 | 27.10.2011 | - | 8.94 | - | 11.88 | - | 1,000,000 | - | 1,000,000 |
| Unsecured, subordinated, redeemable debentures (12 months TB rate (Gross) plus 100 basis points) | (c) | Annually | 15.08.2008 | 15.08.2013 | 9.06 | 10.49 | 9.95 | 12.87 | 300,000 | 300,000 | 300,000 | 300,000 |
| Unsecured, subordinated, redeemable debentures (6 months TB rate (Gross) plus 75 basis points) | (a)/(b) | Semi annually | 24.11.2008 | 24.11.2013 | 9.13 | 8.95 | 9.05 | 10.46 | 3,699,390 | 3,699,390 | 3,699,390 | 3,699,390 |
| Unsecured, subordinated, redeemable debentures (6 months TB rate (Gross) plus 75 basis points) | (a)/(b) | Semi annually | 28.06.2010 | 28.06.2015 | 10.26 | 8.95 | 8.98 | 11.54 | 3,925,330 | 3,925,330 | 3,925,330 | 3,925,330 |
| Unsecured, subordinated, redeemable debentures (6 months TB rate (Gross) plus 75 basis points) | (a)/(b) | Semi annually | 08.12.2011 | 08.12.2016 | 10.26 | - | 10.26 | - | 1,097,560 | - | 1,097,560 | - |
| Unsecured, redeemable, debentures (12 months TB rate (Gross)) | (c) | Annually | 17.11.2006 | 17.11.2011 | - | 8.19 | - | 10.98 | - | 1,200,000 | - | 1,200,000 |
| Unsecured, redeemable, debentures (12 months TB rate (Gross) | (c) | Annually | 10.01.2007 | 10.01.2012 | 8.39 | 10.39 | 8.44 | 10.39 | 1,500,000 | 1,500,000 | 1,500,000 | 1,500,000 |
| Unsecured, redeemable, debentures (12 months TB rate (Gross) | (c) | Annually | 12.03.2007 | 12.03.2012 | 8.14 | 10.52 | 8.60 | 12.30 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 |
| | | | | | | | | | 11,522,280 | 12,874,720 | 11,522,280 | 12,874,720 |

## 40 Debentures (Contd.)

### 40.4 Types of debentures (Contd.)

| | Notes | Interest payable frequency | Issue date | Maturity date | Coupon rate | | Effective annual rate | | Amount as at 31 December | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | Bank | | Group | |
| | | | | | 2011 % | 2010 % | 2011 % | 2010 % | 2011 Rs' 000 | 2010 Rs' 000 | 2011 Rs' 000 | 2010 Rs' 000 |
| **A - Sri Lanka rupee debentures** | | | | | | | | | | | | |
| **Floating interest rate** (Contd.) | | | | | | | | | | | | |
| Unsecured, redeemable, debentures (12 months TB rate (Gross) plus 50 basis points) | (c) | Annually | 03.10.2007 | 03.10.2012 | 8.62 | 8.39 | 8.45 | 11.73 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 |
| Unsecured, redeemable, debentures (12 months TB rate (Gross) plus 50 basis points) | (c) | Annually | 01.11.2007 | 01.11.2012 | 8.77 | 8.69 | 8.70 | 11.02 | 1,500,000 | 1,500,000 | 1,500,000 | 1,500,000 |
| Unsecured, redeemable, debentures (12 months TB rate (Gross) plus 50 basis points) | (c) | Annually | 01.11.2007 | 01.11.2012 | 8.77 | 8.69 | 8.70 | 11.01 | 500,000 | 500,000 | 500,000 | 500,000 |
| Unsecured, redeemable, debentures (12 months TB rate (Gross) plus 50 basis points) | (c) | Annually | 01.04.2008 | 01.04.2013 | 8.61 | 11.02 | 9.20 | 12.94 | 500,000 | 500,000 | 500,000 | 500,000 |
| Unsecured, redeemable, debentures (12 months TB rate (Gross) plus 50 basis points) | (c) | Annually | 01.04.2008 | 01.04.2013 | 8.61 | 11.02 | 9.20 | 12.94 | 1,500,000 | 1,500,000 | 1,500,000 | 1,500,000 |
| Unsecured, redeemable debentures (6 months TB rate (Gross) plus 200 basis points) | (b) | Semi annually | 05.12.2009 | 05.12.2011 | - | 10.39 | - | 12.53 | - | - | - | 330,000 |
| Unsecured, redeemable debentures (12 months TB rate (Gross) plus 150 basis points) | (c) | Semi annually | 31.03.2010 | 31.03.2013 | 11.64 | 11.64 | 11.64 | 12.32 | - | - | 6,800 | 6,800 |
| Unsecured, redeemable, debentures (12 months TB rate (Gross) plus 150 basis points) | (c) | Annually | 03.08.2010 | 03.08.2015 | 9.56 | 11.50 | 10.70 | 11.50 | 5,200,000 | 5,200,000 | 5,200,000 | 5,200,000 |
| Unsecured, redeemable, debentures (12 months TB rate (Gross) plus 150 basis points) | (c) | Annually | 03.08.2010 | 03.08.2015 | 9.56 | 11.50 | 10.70 | 11.50 | 1,750,000 | 1,750,000 | 1,750,000 | 1,750,000 |
| Unsecured, redeemable debentures (12 months TB rate (Gross) plus 150 basis points) | (c) | Annually | 03.08.2010 | 03.08.2015 | 9.56 | 11.50 | 10.70 | 11.50 | 5,300,000 | 5,300,000 | 5,300,000 | 5,300,000 |
| Secured, redeemable debentures (12 months TB rate (Gross) plus 150 basis points) | (c) | Annually | 10.01.2010 | 10.01.2011 | - | 11.20 | - | 11.20 | - | - | - | 50,000 |
| Secured, redeemable debentures (12 months TB rate (Gross) plus 150 basis points) | (c) | Semi annually | 10.01.2010 | 10.07.2011 | - | 11.20 | - | 11.83 | - | - | - | 25,000 |
| Secured, redeemable debentures (12 months TB rate (Gross) plus 150 basis points) | (c) | Semi annually | 10.01.2010 | 10.01.2012 | 11.20 | 11.20 | 11.20 | 11.83 | - | - | 25,000 | 25,000 |
| Secured, redeemable debentures (12 months TB rate (Gross) plus 150 basis points) | (c) | Semi annually | 10.01.2010 | 10.07.2012 | 11.20 | 11.20 | 11.20 | 11.83 | - | - | 25,000 | 25,000 |
| Secured, redeemable debentures (12 months TB rate (Gross) plus 150 basis points) | (c) | Semi annually | 10.01.2010 | 10.01.2013 | 11.20 | 11.20 | 11.20 | 11.83 | - | - | 25,000 | 25,000 |
| Secured, redeemable debentures (12 months TB rate (Gross) plus 150 basis points) | (c) | Semi annually | 10.01.2010 | 10.07.2013 | 11.20 | 11.20 | 11.20 | 11.83 | - | - | 25,000 | 25,000 |
| Secured, redeemable debentures (12 months TB rate (Gross) plus 150 basis points) | (c) | Semi annually | 10.01.2010 | 10.01.2014 | 11.20 | 11.20 | 11.20 | 11.83 | - | - | 25,000 | 25,000 |
| Secured, redeemable debentures (6 months TB rate (Gross) plus 160 basis points) | (b) | Semi annually | 16.11.2011 | 16.11.2014 | 9.76 | - | 9.76 | - | - | - | 40 | - |
| | | | | | | | | | 17,250,000 | 17,250,000 | 17,381,840 | 17,786,800 |

**40 Debentures** (Contd.)

**40.4 Types of debentures** (Contd.)

| | Notes | Interest payable frequency | Issue date | Maturity date | Coupon rate | | Effective annual rate | | Amount as at 31st December | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | Bank | | Group | |
| | | | | | 2011 % | 2010 % | 2011 % | 2010 % | 2011 Rs' 000 | 2010 Rs' 000 | 2011 Rs' 000 | 2010 Rs' 000 |
| **B - United State dollar debentures** | | | | | | | | | | | | |
| **Fixed interest rate** | | | | | | | | | | | | |
| Unsecured, subordinated, redeemable debentures | | Semi annually | 10.10.2008 | 10.10.2013 | 5.50 | 5.50 | 5.58 | 5.50 | 27,337 | 26,761 | 27,337 | 26,761 |
| **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 | 3.46 | 3.61 | 3.49 | 2,434,719 | 2,383,419 | 2,434,719 | 2,383,419 |
| | | | | | | | | | 2,462,056 | 2,410,180 | 2,462,056 | 2,410,180 |
| **Total Debentures** | | | | | | | | | 41,365,832 | 38,706,348 | 42,526,549 | 39,434,565 |

**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 2011.

2008/2013 - (Highest price - Rs.100.10, lowest price - Rs.100.00, last transaction price - Rs.100.00)
2010/2015 - (Highest price - Rs.100.00, lowest price - Rs.90.50, last transaction price - Rs.95.00)

(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 proceeding 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 proceeding week of the interest resetting date.

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

| | | Bank | | Group | |
|---|---|---|---|---|---|
| | **As at 31st December** | **2011 Rs '000** | **2010 Rs '000** | **2011 Rs '000** | **2010 Rs '000** |
| **41** | **Stated capital** | | | | |
| | **Authorised** | | | | |
| | 50,000,000 ordinary shares | 50,000,000 | 50,000,000 | 50,000,000 | 50,000,000 |
| | **Issued and fully paid** | | | | |
| | Balance 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 |
| **42** | **Permanent reserve fund** | | | | |
| | Balance as at 1st January | 2,777,500 | 2,650,000 | 2,777,500 | 2,650,000 |
| | Amount transferred during the year | 230,500 | 127,500 | 230,500 | 127,500 |
| | Balance as at 31st December | 3,008,000 | 2,777,500 | 3,008,000 | 2,777,500 |

The permanent reserve fund is maintained as required by the Bank of Ceylon Ordinance (Chapter 397) whereby the Bank must, out of net profit after taxation but before any dividend is declared, transfer to a reserve a sum equivalent to not less than 20% of such profit untill the reserve is equivalent to 50% of the issued and paid up capital and thereafter, an appropriate amount determined at 2% per annum interms 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 Rs.230.5 million was transferred to the reserve during the year (2010 : Rs.127.5 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.

| As at 31st December | Bank 2011 Rs '000 | Bank 2010 Rs '000 | Group 2011 Rs '000 | Group 2010 Rs '000 |
|---|---|---|---|---|
| **43 Other reserves** | | | | |
| Revaluation reserve [Note 43.2] | 4,612,661 | 125,299 | 4,666,054 | 178,692 |
| Investment fund account [Note 43.1.1] | 1,484,073 | - | 1,570,276 | - |
| Free reserve [Note 43.4] | 169,067 | 169,067 | 366,644 | 366,644 |
| Exchange translation reserve [Note 43.5] | 440,004 | 570,545 | 430,347 | 565,745 |
| Primary dealer special risk reserve [Note 43.3] | 857,304 | 776,683 | 857,304 | 776,683 |
| Other reserves [Note 43.6] | - | - | 218,903 | 137,793 |
| | 7,563,109 | 1,641,594 | 8,109,528 | 2,025,557 |

**43.1 Investment Fund Account (IFA)**

As per the guidelines issued by the Central Bank of Sri Lanka, any entity engaged in the business of banking or financial services is required to establish and operate an 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 transfered to the IFA and utilisation of such funds is made as per the guidelines of Central Bank of Sri Lanka.

| As at 31st December | Bank 2011 Rs '000 | Bank 2010 Rs '000 | Group 2011 Rs '000 | Group 2010 Rs '000 |
|---|---|---|---|---|
| **43.1.1 Movement in investment fund account** | | | | |
| Balance as at 1st January | - | - | - | - |
| Amount transferred from income statement | 1,484,073 | - | 1,570,276 | - |
| Balance as at 31st December | 1,484,073 | - | 1,570,276 | - |

**43.1.2 Utilisation of funds as at 31st December 2011 was as follows:**

**43.1.2.(a) Loans granted**

The Bank has not granted any loans from IFA during the year 2011.

**43.1.2.(b) Investments on treasury bills/bonds**

Investments on treasury bills and bonds made by the Bank and the Group are as follows:

| As at 31st December<br>Purchasing date/Reference no: | Maturity date | Period | Interest rate | Bank 2011 Investment value (Rs.'000) | Group 2011 Investment value (Rs.'000) |
|---|---|---|---|---|---|
| 2011.11.25/45245 | 24.02.2012 | 91 days | 7.50% | 146,213 | 146,213 |
| 2011.11.25/47018 | 24.02.2012 | 91 days | 7.50% | 2,741 | 2,741 |
| 2011.12.23/49536 | 16.03.2012 | 84 days | 8.15% | 122,162 | 122,162 |
| 2011.12.28/49667 | 23.03.2012 | 86 days | 8.15% | 15,854 | 15,854 |
| 2011.09.16/36518 | 30.12.2011 | 105 days | 6.95% | 126,530 | 126,530 |
| 2011.09.26/37401 | 06.02.2012 | 102 days | 6.90% | 147,038 | 147,038 |
| 2011.11.15/43825 | 27.02.2012 | 73 days | 7.00% | 116,278 | 116,278 |
| 2011.08.19/32176 | 17.02.2012 | 182 days | 6.90% | 331,285 | 331,285 |
| 2011.08.19/32484 | 17.02.2012 | 182 days | 6.90% | 128,260 | 128,260 |
| 2011.10.20/40157 | 20.01.2012 | 92 days | 6.85% | 121,704 | 121,704 |
| 2011.10.28/41885 | 27.01.2012 | 91 days | 6.90% | 110,004 | 110,004 |
| 2011.11.24/44753 | 24.02.2012 | 92 days | 7.10% | 130,442 | 130,442 |
| 2011.12.09/134502 | 09.03.2012 | 91 days | 7.00% | - | 2,650 |
| 2011.10.17/LKB01019E016 | 01.05.2019 | 7 years & 6 months | 8.92% | - | 23,000 |
| 2011.12.21/LKB01019E016 | 01.05.2019 | 7 years | 8.50% | - | 24,547 |
| 2011.09.28/LKB01518H150 | 15.08.2018 | 7 years | 7.50% | - | 46,394 |
| | | | | 1,498,511 | 1,595,102 |

**43 Other reserves** (Contd.)

| As at 31st December | Bank 2011 Rs '000 | Bank 2010 Rs '000 | Group 2011 Rs '000 | Group 2010 Rs '000 |
|---|---|---|---|---|
| **43.2 Revaluation reserve** | | | | |
| Balance as at 1st January | 125,299 | 125,299 | 178,692 | 178,692 |
| Net surplus on revaluations of freehold properties | 4,710,770 | - | 4,710,770 | - |
| Deferred tax effect on revaluation surplus on freehold buildings | (223,408) | - | (223,408) | - |
| Balance as at 31st December | 4,612,661 | 125,299 | 4,666,054 | 178,692 |

The revaluation reserve represents the surpluses arising on the revaluation of freehold properties which are still in use for banking operations.

According to the regulatory directives, the Bank can account for the revaluation surplus every seven years from which 50% will be used as supplementary capital in the Tier II capital base in the computation of Risk Weighted Capital Adequacy Ratio.

| As at 31st December | Bank 2011 Rs '000 | Bank 2010 Rs '000 | Group 2011 Rs '000 | Group 2010 Rs '000 |
|---|---|---|---|---|
| **43.3 Primary dealer special risk reserve** | | | | |
| Balance as at 1st January | 776,683 | 528,470 | 776,683 | 528,470 |
| Amount transferred during the year | 80,621 | 248,213 | 80,621 | 248,213 |
| Balance as at 31st December | 857,304 | 776,683 | 857,304 | 776,683 |

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.

| As at 31st December | Bank 2011 Rs '000 | Bank 2010 Rs '000 | Group 2011 Rs '000 | Group 2010 Rs '000 |
|---|---|---|---|---|
| **43.4 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

| | | | | |
|---|---|---|---|---|
| **43.5 Exchange translation reserve** | | | | |
| Balance as at 1st January | 570,545 | 606,163 | 565,745 | 606,163 |
| Currency translation difference during the year | (130,541) | 3,948 | (135,398) | (852) |
| Adjustment on conversion of London branch into a Subsidiary | - | (39,566) | - | (39,566) |
| Balance as at 31st December | 440,004 | 570,545 | 430,347 | 565,745 |

This represents the exchange difference arising from translating investments made in the capital of foreign branches, and also exchange differences arising from translation of the results of overseas branches for this year from the average rate to the exchange rate ruling at the year end. If and when the investments in foreign branches are disposed, the exchange gain or loss will be recognised in the Income Statement.

| As at 31st December | Bank 2011 Rs '000 | Bank 2010 Rs '000 | Group 2011 Rs '000 | Group 2010 Rs '000 |
|---|---|---|---|---|
| **43 .6 Other reserves** | | | | |
| Balance as at 1st January | - | - | 137,793 | 137,793 |
| Amount transferred during the year | - | - | 81,110 | - |
| Balance as at 31st December | - | - | 218,903 | 137,793 |

Other reserves represent 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 Merchant Credit of Sri Lanka Limited in 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.

## 44 Commitments & Contingencies

### 44.1 Commitments

#### 44.1.1 Capital commitments

Capital expenditure approved by the Directors for which no provision has been made in the Financial Statements, amounts to:

#### 44.1.1 (a) Capital commitments in relation to property, plant & equipment

| As at 31st December | Bank 2011 Rs '000 | Bank 2010 Rs '000 | Group 2011 Rs '000 | Group 2010 Rs '000 |
|---|---|---|---|---|
| Approved and contracted for | 1,435,730 | 782,720 | 1,465,272 | 839,720 |
| Approved and not contracted for | 387,000 | 286,433 | 387,000 | 286,433 |
| | 1,822,730 | 1,069,153 | 1,852,272 | 1,126,153 |
| **44.1.1 (b) Capital commitments in relation to intangible assets** | | | | |
| Approved and contracted for | 102,386 | 269,866 | 166,386 | 333,866 |
| Total capital commitments | 1,925,116 | 1,339,019 | 2,018,658 | 1,460,019 |

#### 44.1.2 Lease commitments

#### 44.1.2 (a) 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 2011 Rs '000 | Bank 2010 Rs '000 | Group 2011 Rs '000 | Group 2010 Rs '000 |
|---|---|---|---|---|
| Not later than 1 year | 767,681 | 637,889 | 767,681 | 637,889 |
| Later than 1 year and not later than 5 years | 519,001 | 842,246 | 519,001 | 842,246 |
| Later than 5 years | 11,983 | 10,834 | 11,983 | 10,834 |
| | 1,298,665 | 1,490,969 | 1,298,665 | 1,490,969 |

#### 44.1.2 (b) 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 2011 Rs '000 | Bank 2010 Rs '000 | Group 2011 Rs '000 | Group 2010 Rs '000 |
|---|---|---|---|---|
| Not later than 1 year | 9,456 | 16,805 | 9,456 | 16,805 |
| Later than 1 year and not later than 5 years | 13,724 | 23,180 | 13,724 | 23,180 |
| | 23,180 | 39,985 | 23,180 | 39,985 |

### 44 .2 Contingencies

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 2011 Rs '000 | Bank 2010 Rs '000 | Group 2011 Rs '000 | Group 2010 Rs '000 |
|---|---|---|---|---|
| Acceptances & documentary credits | 167,646,665 | 124,677,407 | 167,745,989 | 126,048,237 |
| Bills for collection | 3,145,921 | 3,988,739 | 3,145,921 | 4,048,990 |
| Forward exchange contracts | 72,188,498 | 46,722,050 | 72,188,498 | 46,722,050 |
| Guarantees | 70,916,410 | 47,666,313 | 71,194,312 | 47,876,977 |
| Other commitments | 111,520 | 110,421 | 472,706 | 245,861 |
| | 314,009,014 | 223,164,930 | 314,747,426 | 224,942,115 |

**44 Commitments & Contingencies** (Contd.)

**44 .2 Contingencies** (Contd.)

**44.2.1 Commitments on direct & indirect advances**

The unutilised value of irrevocable commitments which cannot be withdrawn at the discretion of the bank, without risk of incurring significant penalties or expenses are as follows :

| As at 31st December | Bank | | Group | |
|---|---|---|---|---|
| | 2011 Rs '000 | 2010 Rs '000 | 2011 Rs '000 | 2010 Rs '000 |
| Commitments for unutilised facilities | 34,871,993 | 33,548,887 | 35,172,260 | 33,568,009 |
| | 34,871,993 | 33,548,887 | 35,172,260 | 33,568,009 |

**45 Litigation**

Bank of Ceylon being a major financial institution in Sri Lanka with an enormous customer base and a large staff naturally encounters a few disputes in the usual course of business. We are proud to say that these disputes are much lower when taking into consideration the industry average.

Granting facilities to customers being its main business sometimes leads to disputes, which end up in litigation as an ultimate resolution. Default of repayment of loans has become the most prominent cause of action and the cases against the Bank arise from initiating various remedies such as parate execution to recover its dues. Actions relating to human rights and labour tribunals arise due to non fulfillment of rights and privileges of either party.

The Legal department has stretched its wings to pursue litigation under more speedy debt recovery legislation and have been quite successful in achieving many a decree in the Bank's favour. Most recovery actions filed by the Bank end up in settlement process and thereby litigation has helped immensely in accelerating recovery of bad debts in the Bank.

When granting facilities, the legal department plays a pivotal role in ensuring correct and complete documentation without leaving allowances for willful defaulters

**46 Assets pledged as security**

The securities sold under re-purchase 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 | |
|---|---|---|---|---|
| | 2011 Rs '000 | 2010 Rs '000 | 2011 Rs '000 | 2010 Rs '000 |
| Securities sold under re-purchase agreements | 48,724,319 | 53,522,487 | 48,559,119 | 52,968,787 |
| Debentures | - | - | - | 30,772 |
| Trust certificates | - | - | - | 237,135 |
| Refinance purposes | - | - | 1,382,592 | 383,329 |
| | 48,724,319 | 53,522,487 | 49,941,711 | 53,620,023 |
| Secured by ; | | | | |
| Treasury bills held by the Bank | 11,013,601 | 7,055,313 | 11,013,601 | 7,055,313 |
| Treasury bonds held by the Bank | 42,583,150 | 51,302,618 | 42,583,150 | 51,302,618 |
| Lease/hire purchase rentals receivable | - | - | 1,382,592 | 651,236 |
| | 53,596,751 | 58,357,931 | 54,979,343 | 59,009,167 |

**47 Events occurring after the balance sheet date**

No material events have occurred since the Balance Sheet date which would require adjustments to, or disclosure in, the Financial Statements.

## 48 Maturities of assets & liabilities

### 48.1 Bank

The analysis of total assets and liabilities of the Bank into relevant maturity groupings based on the remaining period as at 31st December 2011 into the contractual maturity date is given in the table below :

| | Up to 3 months Rs.'000 | 3 - 12 months Rs.'000 | 1 - 3 years Rs.'000 | 3 - 5 years Rs.'000 | Over 5 years Rs.'000 | Total Rs.'000 |
|---|---|---|---|---|---|---|
| **Interest earning assets** | | | | | | |
| Treasury bills, bonds & other eligible bills | 26,180,466 | 24,825,567 | 4,741,472 | 2,772,802 | 243,294 | 58,763,601 |
| Securities purchased under re-sale agreements | 575,000 | 500,000 | - | - | - | 1,075,000 |
| Placements with and loans to other banks | 10,840,928 | 3,703,801 | - | - | - | 14,544,729 |
| Treasury bonds maturing after one year | - | - | 19,301,675 | 11,528,632 | 1,263,189 | 32,093,496 |
| Investment securities | - | 1,502,633 | 74,825,722 | 738,267 | - | 77,066,622 |
| Bills of exchange | 14,818,848 | 1,938,010 | - | - | - | 16,756,858 |
| Loans and advances | 204,204,620 | 147,371,839 | 41,141,280 | 50,773,118 | 68,947,828 | 512,438,685 |
| Lease rentals receivable | 1,180,777 | 2,044,196 | 4,427,405 | 6,742,245 | 61,827 | 14,456,450 |
| Government of Sri Lanka Restructuring Bonds | - | - | - | - | 8,547,000 | 8,547,000 |
| | 257,800,639 | 181,886,046 | 144,437,554 | 72,555,064 | 79,063,138 | 735,742,441 |
| **Non interest earning assets** | | | | | | |
| Cash and short term funds | 18,670,911 | | | | | 18,670,911 |
| Balances with Central Banks | 20,428,595 | 9,437,806 | 334,926 | 183,843 | 42,285 | 30,427,455 |
| Dealing securities | 3,573,900 | - | - | - | - | 3,573,900 |
| Accrued interest & others | 12,222,387 | - | - | - | - | 12,222,387 |
| Investment securities | - | - | - | - | 6,254,345 | 6,254,345 |
| Investments in related companies | - | - | - | - | 7,083,674 | 7,083,674 |
| Property, plant and equipment | - | - | - | - | 10,518,926 | 10,518,926 |
| Leasehold land | - | - | - | - | 76,270 | 76,270 |
| Intangible assets | - | - | - | - | 342,839 | 342,839 |
| Other assets | 9,493,048 | 1,133,482 | 196 | 445 | - | 10,627,171 |
| | 64,388,841 | 10,571,288 | 335,122 | 184,288 | 24,318,339 | 99,797,878 |
| **Total assets** | 322,189,480 | 192,457,334 | 144,772,676 | 72,739,352 | 103,381,477 | 835,540,319 |
| **Interest bearing liabilities** | | | | | | |
| Deposits | 302,938,730 | 182,619,483 | 6,480,750 | 3,557,321 | 818,200 | 496,414,484 |
| Borrowed funds | 24,108,093 | 35,983,053 | 10,277,455 | 21,535,711 | 1,769,731 | 93,674,043 |
| Securities sold under re-purchase agreements | 34,630,785 | 8,593,534 | 5,500,000 | - | - | 48,724,319 |
| Debentures | 2,500,000 | 3,000,000 | 9,187,019 | 26,678,813 | | 41,365,832 |
| | 364,177,608 | 230,196,070 | 31,445,224 | 51,771,845 | 2,587,931 | 680,178,678 |
| **Non interest bearing liabilities** | | | | | | |
| Deposits | 92,350,088 | - | - | - | - | 92,350,088 |
| Accrued interest payable | 13,952,570 | - | - | - | - | 13,952,570 |
| Deffered tax liabilities | - | - | - | - | 1,107,072 | 1,107,072 |
| Curret tax liabilities | 1,139,464 | - | - | - | - | 1,139,464 |
| Other liabilities | 6,207,001 | 11,492 | 11,605 | 2,911 | 416,361 | 6,649,370 |
| Shareholders' funds | - | - | - | - | 40,163,077 | 40,163,077 |
| | 113,649,123 | 11,492 | 11,605 | 2,911 | 41,686,510 | 155,361,641 |
| **Total liabilities** | 477,826,731 | 230,207,562 | 31,456,829 | 51,774,756 | 44,274,441 | 835,540,319 |
| **Net liquidity gap - 2011** | **(155,637,251)** | **(37,750,228)** | **113,315,847** | **20,964,596** | **59,107,036** | |
| Net liquidity gap - 2010 | (170,163,723) | (24,714,840) | 113,143,654 | 24,313,271 | 57,421,638 | |

**48 Maturities of assets & liabilities** (Contd.)

**48.2 Group**

The analysis of total assets and liabilities of the group into relevant maturity groupings based on the remaining period as at 31st December 2011 into the contractual maturity date is given in the table below :

| | Up to 3 months Rs.'000 | 3 - 12 months Rs.'000 | 1 - 3 years Rs.'000 | 3 - 5 years Rs.'000 | Over 5 years Rs.'000 | Total Rs.'000 |
|---|---|---|---|---|---|---|
| **Interest earning assets** | | | | | | |
| Treasury bills, bonds & other eligible bills | 27,005,811 | 24,848,338 | 4,741,472 | 2,772,802 | 243,294 | 59,611,717 |
| Securities purchased under re-sale agreements | 1,112,159 | 504,690 | - | - | - | 1,616,849 |
| Placements with and loans to other banks | 13,783,381 | 5,028,506 | - | - | - | 18,811,887 |
| Treasury bonds maturing after one year | - | - | 19,477,099 | 12,183,693 | 1,836,397 | 33,497,189 |
| Investment securities | - | 1,503,213 | 74,705,722 | 743,267 | - | 76,952,202 |
| Bills of exchange | 15,450,980 | 1,938,236 | - | - | - | 17,389,216 |
| Loans and advances | 204,897,110 | 148,201,558 | 42,578,532 | 51,792,841 | 69,264,670 | 516,734,711 |
| Lease rentals receivable | 3,907,807 | 3,544,485 | 9,250,623 | 7,986,752 | 61,827 | 24,751,494 |
| Government of Sri Lanka Restructuring Bonds | - | - | - | - | 8,547,000 | 8,547,000 |
| | 266,157,248 | 185,569,026 | 150,753,448 | 75,479,355 | 79,953,188 | 757,912,265 |
| **Non interest earning assets** | | | | | | |
| Cash and short term funds | 18,789,308 | - | - | - | - | 18,789,308 |
| Balances with Central Banks | 20,428,595 | 9,437,806 | 334,926 | 183,843 | 42,285 | 30,427,455 |
| Dealing securities | 4,001,690 | 9,067 | 18,104 | - | - | 4,028,861 |
| Accrued interest & others | 12,589,437 | 44,616 | 9,370 | - | 23,628 | 12,667,051 |
| Investment securities | - | 100,000 | 15,339 | 10 | 6,529,231 | 6,644,580 |
| Investment properties | - | 118,221 | - | - | 47,653 | 165,874 |
| Investments in related companies | - | - | - | - | 1,282,677 | 1,282,677 |
| Property, plant and equipment | 3 | 105 | 1,438 | 2,471 | 12,717,445 | 12,721,462 |
| Leasehold land | - | - | - | - | 117,376 | 117,376 |
| Intangible assets | - | 1,769 | - | - | 411,141 | 412,910 |
| Other assets | 9,603,228 | 1,575,645 | 29,677 | 6,827 | 7,320 | 11,222,697 |
| | 65,412,261 | 11,287,229 | 408,854 | 193,151 | 21,178,756 | 98,480,251 |
| Total assets | 331,569,509 | 196,856,255 | 151,162,302 | 75,672,506 | 101,131,944 | 856,392,516 |
| **Interest bearing liabilities** | | | | | | |
| Deposits | 306,724,945 | 185,789,959 | 6,903,452 | 3,668,622 | 980,338 | 504,067,316 |
| Borrowed funds | 26,779,577 | 38,175,795 | 11,383,511 | 21,672,191 | 1,769,731 | 99,780,805 |
| Securities sold under re-purchase agreements | 34,465,585 | 8,593,534 | 5,500,000 | - | - | 48,559,119 |
| Debentures | 2,525,000 | 3,025,000 | 10,034,656 | 26,941,893 | - | 42,526,549 |
| | 370,495,107 | 235,584,288 | 33,821,619 | 52,282,706 | 2,750,069 | 694,933,789 |
| **Non interest bearing liabilities** | | | | | | |
| Deposits | 93,071,268 | - | - | - | - | 93,071,268 |
| Insurance provision - life | - | - | - | - | 106,682 | 106,682 |
| Insurance provision - non Life | - | - | 328,251 | - | - | 328,251 |
| Accrued interest and expenditure | 14,170,282 | 108,684 | 17,402 | - | - | 14,296,368 |
| Deferred tax liabilities | - | - | - | - | 1,146,511 | 1,146,511 |
| Current tax liabilities | 1,240,449 | 48,737 | - | - | - | 1,289,186 |
| Other liabilities | 7,087,216 | 86,818 | 97,644 | 7,803 | 558,664 | 7,838,145 |
| Shareholders' funds | - | - | - | - | 43,382,316 | 43,382,316 |
| | 115,569,215 | 244,239 | 443,297 | 7,803 | 45,194,173 | 161,458,727 |
| Total liabilities | 486,064,322 | 235,828,527 | 34,264,916 | 52,290,509 | 47,944,242 | 856,392,516 |
| **Net liquidity gap - 2011** | **(154,494,813)** | **(38,972,272)** | **116,897,386** | **23,381,997** | **53,187,702** | |
| Net liquidity gap - 2010 | (164,812,531) | (26,030,065) | 113,767,158 | 26,962,752 | 50,112,686 | |

**48 Maturities of assets & liabilities** (Contd.)

**Notes:**

1 Demand & savings deposits have been categorised as up to 3 months maturity group. However a major part of these deposits represent core retail deposits with longer term maturity.

2 Bills of exchange, loans and advances and lease rentals receivables are shown net of interest in suspense and provision for bad and doubtful debts.

3 The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Bank. It is unusual for Banks ever to be completely matched since business transacted is often of uncertain terms and of different types. An unmatched position potentially enhances profitability, but also increases the risk of losses.

4 The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest bearing liabilities as they mature, are important factors in assessing the liquidity of the Bank and its exposure to changes in interest rates and exchange rates.

5 Liquidity requirements to support calls under guarantees and standby letters of credit are considerably less than the amount of the commitment because the Bank does not generally expect the third party to draw funds under the agreement. The total outstanding contractual amount of commitments to extend credit does not necessarily represent future cash requirements, since many of these commitments will expire or terminate without being funded.

**49 Related party disclosures**

In 2011, the Bank entered into transactions with the parties who are defined as related parties in Sri Lanka Accounting Standard No. 30 (Revised 2005) on "Related Party Disclosures". i.e. significant investor, Subsidiaries & 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.

**49.1 Parent and the ultimate controlling party**

The Bank does not have an identifiable parent of its own.

**49.2.1 Compensation to Key Management Personnel**

As per the Sri Lanka Accounting Standard No. 30 (Revised 2005) - on "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, members of the Corporate Management of the Bank have been classified as KMPs of the Bank.

| | Bank | | Group | |
|---|---|---|---|---|
| **For the year ended 31st December** | **2011** | **2010 (Restated)** | **2011** | **2010 (Restated)** |
| | **Rs '000** | **Rs '000** | **Rs '000** | **Rs '000** |
| Short-term employment benefits | 92,848 | 86,231 | 98,421 | 88,761 |
| Post employment benefits | 22,059 | 19,848 | 22,059 | 19,848 |
| Other long-term benefits | - | - | - | - |
| **Total** | 114,907 | 106,079 | 120,480 | 108,609 |

**49.2.2 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 where the KMPs and/or their CFMs hold directorships and/or having an interest in the entity that gives its significant influence over the entity, the entities in which the Bank has contributed towards the capital with a significant shareholding and the Unit Trusts where the Bank has invested.

**49 Related party disclosures** (Contd.)

**49.2.2 (a) Income Statement Items**

| For the year ended 31st December | Transactions with KMPs & CFMs | | | | *Transactions with other entities | |
|---|---|---|---|---|---|---|
| | Bank | | Group | | Bank/Group | |
| | 2011 Rs.'000 | 2010 (Restated) Rs.'000 | 2011 Rs.'000 | 2010 (Restated) Rs.'000 | 2011 Rs.'000 | 2010 Rs.'000 |
| Interest earned | 5,421 | 3,502 | 5,421 | 3,502 | 2,091,651 | 96,801 |
| Interest paid | 4,036 | 1,693 | 4,036 | 1,693 | 82,511 | 15,773 |
| Other income | - | - | - | - | 217,587 | 109,228 |
| Expense incurred | | | | | 102,028 | 160,289 |
| Payments made as shown in Note 49.2.1 | 114,907 | 106,079 | 120,480 | 108,609 | - | - |

**49.2.2 (b) Balance Sheet Items**

| As at 31st December | Bank | | Group | | Bank/Group | |
|---|---|---|---|---|---|---|
| | 2011 Rs.'000 | 2010 (Restated) Rs.'000 | 2011 Rs.'000 | 2010 (Restated) Rs.'000 | 2011 Rs.'000 | 2010 Rs.'000 |
| **Assets** | | | | | | |
| Loans | 55,825 | 53,370 | 55,825 | 53,370 | 10,971,821 | 5,575,403 |
| Overdrafts | 3,738 | 8,700 | 3,738 | 8,700 | 2,618,827 | 883,232 |
| Credit cards | 4,852 | 2,700 | 4,852 | 2,700 | - | - |
| Investments | - | - | - | - | 4,828,692 | 4,697,130 |
| | 64,415 | 64,770 | 64,415 | 64,770 | 18,419,340 | 11,155,765 |
| **Liabilities** | | | | | | |
| Deposits | 72,517 | 59,177 | 72,517 | 59,177 | 7,842,002 | 6,487,240 |
| Securities sold under re-purchase agreements | - | - | - | - | 323,008 | 1,692,557 |
| Debentures | 40,553 | 39,715 | 40,553 | 39,715 | - | - |
| Other liabilities | - | - | - | - | - | 55,084 |
| | 113,070 | 98,892 | 113,070 | 98,892 | 8,165,010 | 8,234,881 |
| **49.2.2 (c) Off-Balance Sheet Items** | | | | | | |
| Letters of credit | - | - | - | - | 890,493 | 539,713 |
| Guarantees | - | - | - | - | 49,328 | 20,793 |
| Undrawn facilities | 61,661 | 56,093 | 61,661 | 56,093 | 4,823,589 | 5,427,111 |
| | 61,661 | 56,093 | 61,661 | 56,093 | 5,763,410 | 5,987,617 |
| **Net accommodation** | 39,727 | 48,411 | | | 20,079,456 | 13,686,752 |
| **Net accommodation as a % of the Bank's regulatory capital** | 0.1% | 0.1% | | | 45.2% | 40.5% |

*Transactions with the entities described under 49.2.2 excluding Subsidiaries and Associate companies of the Bank where the KMPs hold directorships.

**49.3 Transactions with group related parties**

The group related parties include the Subsidiaries & Associate companies of the Bank.

**49 Related party disclosures** (Contd.)

**49.3.1 Transactions with Subsidiaries and Associate companies of the Bank**

The Bank carries out following main transactions with its Subsidiaries & Associate companies.
The Property Development PLC is a subsidiary of the Bank and maintains and manages the Bank of Ceylon, Head Office building at "BOC Square", No.01, Bank of Ceylon Mawatha, Colombo 01.

The BOC Property Development & Management (Private) Limited, a wholly owned subsidiary of the Bank, maintains and manages two buildings in Colombo 03 and Kandy where a branch of the Bank and also principal place of business of two Subsidiaries are located.

Merchant Bank of Sri Lanka PLC, a Subsidiary of the Bank provides certain management services.

The Ceybank Holiday Homes (Private) Limited, an indirectly fully owned Subsidiary of the Bank, manages the holiday bungalows for the welfare of the Bank staff.

The aggregate amount of income & expenses arising from their transactions during the year and amount due to and due from the relevant related parties and total contract sum of off-balance sheet transactions at the year end are summerised below.

**49.3.1 (a) Income Statement Items**

| | Subsidiary companies of the Bank | | Associate companies of the Bank | |
|---|---|---|---|---|
| **For the year ended 31st December** | **2011** | **2010 (Restated)** | **2011** | **2010 (Restated)** |
| | **Rs.'000** | **Rs.'000** | **Rs.'000** | **Rs.'000** |
| Interest earned | 124,651 | 119,218 | 106,061 | 122,977 |
| Interest paid | 90,312 | 109,791 | 12,168 | 9,489 |
| Other income | 286,725 | 224,440 | 28,283 | 22,547 |
| Expenses incurred | 569,653 | 525,335 | - | - |

**49.3.1 (b) Balance Sheet Items**

| | Subsidiary companies of the Bank | | Associate companies of the Bank | |
|---|---|---|---|---|
| **As at 31st December** | **2011** | **2010 (Restated)** | **2011** | **2010 (Restated)** |
| | **Rs.'000** | **Rs.'000** | **Rs.'000** | **Rs.'000** |
| **Assets** | | | | |
| Loans | 1,025,320 | 368,336 | 2,585,644 | 2,531,163 |
| Overdrafts | 46,392 | 26,831 | - | 4,500 |
| Investments in debts | 140,000 | - | - | - |
| Placements | 6,982,936 | 14,327,518 | - | - |
| Other receivable | 261,722 | 256,447 | - | - |
| | 8,456,370 | 14,979,132 | 2,585,644 | 2,535,663 |
| **Liabilities** | | | | |
| Deposits | 1,796,509 | 4,027,486 | 15,438 | 44,470 |
| Securities sold under re-purchase agreements | 290,200 | 553,700 | 49,400 | 375,200 |
| Debentures | 11,083 | 11,083 | - | - |
| Other liabilities | 266,521 | 248,225 | - | - |
| | 2,364,313 | 4,840,494 | 64,838 | 419,670 |
| **49.3.1 (c) Off-Balance Sheet Items** | | | | |
| Letters of credit | 7,926 | 86,815 | - | - |
| Guarantees | 55,800 | 53,000 | 1,256 | - |
| Undrawn facilities | 1,222,285 | 1,835,348 | 178,177 | 170,457 |
| | 1,286,011 | 1,975,163 | 179,433 | 170,457 |
| **Net accommodation** | 2,456,639 | 2,339,247 | 1,098,588 | 1,075,448 |
| **Net accommodation as a % of the Bank's regulatory capital** | 5.5% | 6.9% | 2.5% | 3.2% |

**49 Related party disclosures** (Contd.)

**49.3.2 Transactions with Subsidiaries and Associate companies of the Group**

In addition to the transactions between the Bank and its Subsidiaries & Associate companies, transactions which took place between the Subsidiaries & Associate companies are also included in the section below.

**49.3.2 (a) Income Statement Items**

| For the year ended 31st December | Subsidiary companies of the Bank | | Associate companies of the Bank | |
|---|---|---|---|---|
| | 2011 Rs.'000 | 2010 (Restated) Rs.'000 | 2011 Rs.'000 | 2010 (Restated) Rs.'000 |
| Interest earned | 124,651 | 119,218 | 111,270 | 122,977 |
| Interest paid | 95,521 | 109,791 | 12,168 | 9,489 |
| Other income | 353,457 | 308,408 | 32,234 | 33,982 |
| Expenses incurred | 639,964 | 593,092 | 372 | 27,646 |

**49.3.2 (b) Balance Sheet Items**

| As at 31st December | Subsidiary companies of the Bank | | Associate companies of the Bank | |
|---|---|---|---|---|
| | 2011 Rs.'000 | 2010 (Restated) Rs.'000 | 2011 Rs.'000 | 2010 (Restated) Rs.'000 |
| **Assets** | | | | |
| Loans | 1,025,320 | 368,336 | 2,585,644 | 2,531,163 |
| Overdrafts | 46,392 | 26,831 | - | 4,500 |
| Investments in debts | 140,000 | - | - | - |
| Placements | 6,982,936 | 14,327,518 | - | - |
| Other receivable | 265,696 | 317,197 | 21,486 | - |
| | 8,460,344 | 15,039,882 | 2,607,130 | 2,535,663 |
| **Liabilities** | | | | |
| Deposits | 1,796,509 | 4,027,486 | 15,438 | 44,470 |
| Securities sold under re-purchase agreements | 290,200 | 553,700 | 49,400 | 375,200 |
| Debentures | 11,083 | 11,083 | - | - |
| Other liabilities | 291,981 | 256,088 | - | 52,887 |
| | 2,389,773 | 4,848,357 | 64,838 | 472,557 |
| **49.3.2 (c) Off-Balance Sheet Items** | | | | |
| Letters of credit | 7,926 | 86,815 | - | - |
| Guarantees | 55,800 | 53,000 | 1,256 | - |
| Undrawn facilities | 1,222,285 | 1,835,348 | 178,177 | 170,457 |
| | 1,286,011 | 1,975,163 | 179,433 | 170,457 |
| **Net accommodation** | 2,456,640 | 2,339,247 | 1,098,588 | 1,075,448 |
| **Net accommodation as a % of the Bank's regulatory capital** | 5.5% | 6.9% | 2.5% | 3.2% |

**49 Related party disclosures** (Contd.)

**49.4 Transactions with the significant investor having significant influence over the Bank and also with the post employment benefit plans.**

**49.4.(a) Income Statement Items**

| For the year ended 31st December | Significant investor | | Post employment benefit plans | |
|---|---|---|---|---|
| | 2011 Rs.'000 | 2010 Rs.'000 | 2011 Rs.'000 | 2010 (Restated) Rs.'000 |
| Interest earned | 7,668,478 | 7,212,750 | - | - |
| Interest paid | 499,249 | 177,441 | 5,565,716 | 5,100,960 |
| Contributions made | - | - | 2,590,526 | 2,712,272 |

**49.4.(b) Balance Sheet Items**

| As at 31st December | Significant investor | | Post employment benefit plans | |
|---|---|---|---|---|
| | 2011 Rs.'000 | 2010 Rs.'000 | 2011 Rs.'000 | 2010 (Restated) Rs.'000 |
| **Assets** | | | | |
| Loans & advances | 58,139,186 | 52,324,373 | - | - |
| Investment in bonds | 88,313,048 | 85,297,670 | - | - |
| | 146,452,234 | 137,622,043 | - | - |
| **Liabilities** | | | | |
| Deposits | 36,921,274 | 24,429,780 | 28,352,698 | 17,608,184 |
| Securities sold under re-purchase agreements | - | - | 540,000 | 3,716,000 |
| Debentures | - | - | 30,712,553 | 28,461,433 |
| | 36,921,274 | 24,429,780 | 59,605,251 | 49,785,617 |
| **49.4.(c) Off-Balance Sheet Items** | | | | |
| Letters of credit | 8,559,988 | 12,982,848 | | |
| Bills & acceptances | 17,791,533 | 5,378,459 | | |
| Guarantees | 10,024,935 | 8,560,881 | | |
| | 36,376,456 | 26,922,188 | | |
| **Net accommodation** | 177,828,690 | 159,544,231 | | |
| **Net accommodation as a % of the Bank's regulatory capital** | 400.2% | 472.4% | | |
| **49.4.(d) Other Transactions** | | | | |
| No. of ordinary shares held at the year end | 5,000,000 | 5,000,000 | | |
| Dividends for the year (Rs.'000) | 3,846,410 | 3,096,410 | | |

This note has been prepared based on the policy on Related party transactions which was revised in August 2011 to comply with the requirements of the Bank of Ceylon Ordinance No. 53 of 1938, Banking Act direction No.11 of 2007 on Corporate Governance issued by the Central Bank of Sri Lanka 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. Accordingly the figures of the corresponding period of the previous year were also revised for better comparison.

**50 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.

**50.1 Primary segment information - Business segments (Group)**

Business segments provide products and services whose risks and returns are different from other segments which represents banking, leasing, treasury & investment, property, insurance, Islamic banking and other non banking activities.

| | Banking | | Leasing | | Treasury & investment | |
|---|---|---|---|---|---|---|
| | 2011 Rs ' 000 | 2010 Rs ' 000 | 2011 Rs ' 000 | 2010 Rs ' 000 | 2011 Rs ' 000 | 2010 Rs ' 000 |
| **Revenue from external customers:** | | | | | | |
| Interest | 41,335,633 | 33,146,661 | 58,329 | 62,345 | 19,260,911 | 17,713,343 |
| Profit on Islamic banking | - | - | - | - | - | - |
| Exchange | (153,127) | (251,547) | - | - | 1,900,691 | 670,008 |
| Lease income | - | - | 2,915,453 | 2,077,832 | - | - |
| Commissions | 7,234,551 | 6,275,185 | 48,655 | 109,559 | - | - |
| Other | 1,712,537 | 1,927,456 | 98,145 | 130,829 | (815,538) | 3,623,016 |
| **Total revenue** | 50,129,594 | 41,097,755 | 3,120,582 | 2,380,565 | 20,346,064 | 22,006,367 |
| **Segment result** | 13,437,191 | 9,145,412 | 1,402,790 | 1,260,376 | 7,228,856 | 7,738,205 |
| Unallocated expenses | | | | | | |
| Profit from operations | | | | | | |
| Income from Associates | | | | | | |
| Income tax expense | | | | | | |
| Minority interest | | | | | | |
| Profit attributable to equity holders/parent | | | | | | |
| Segment assets | 567,512,521 | 377,302,766 | 25,555,433 | 11,460,688 | 218,798,804 | 312,496,190 |
| Investment in associates | | | | | | |
| Unallocated assets | | | | | | |
| **Total assets** | 567,512,521 | 377,302,766 | 25,555,433 | 11,460,688 | 218,798,804 | 312,496,190 |
| Segment liabilities | 565,995,207 | 375,139,034 | 23,410,355 | 7,875,741 | 222,126,997 | 317,433,546 |
| Unallocated liabilities | | | | | | |
| **Total liabilities** | 565,995,207 | 375,139,034 | 23,410,355 | 7,875,741 | 222,126,997 | 317,433,546 |
| Cash flows from operating activities | (108,548,732) | (35,075,648) | (269,744) | (283,071) | 25,129,041 | 50,736,916 |
| Cash flows from investing activities* | - | - | - | - | 42,768,515 | (56,889,575) |
| Cash flows from financing activities | 22,067,034 | 6,548,845 | - | - | 4,250,624 | 25,542,219 |
| Capital expenditure | (1,726,761) | (1,187,231) | (28,240) | (22,759) | - | - |

* Excluding capital expenditure

| Property | | Insurance | | Islamic banking | | Other non banking/ unallocated | | Total | |
|---|---|---|---|---|---|---|---|---|---|
| **2011 Rs ' 000** | **2010 Rs ' 000** | **2011 Rs ' 000** | **2010 Rs ' 000** | **2011 Rs ' 000** | **2010 Rs ' 000** | **2011 Rs ' 000** | **2010 Rs ' 000** | **2011 Rs ' 000** | **2010 Rs ' 000** |
| 3,466 | 4,313 | 43,289 | 29,427 | - | - | 4,232 | 7,755 | 60,705,860 | 50,963,844 |
| - | - | - | - | 98,290 | 6,195 | - | - | 98,290 | 6,195 |
| - | - | - | - | - | - | - | - | 1,747,564 | 418,461 |
| - | - | - | - | 8,671 | 4,110 | - | - | 2,924,124 | 2,081,942 |
| 11,878 | 10,711 | 198,472 | 89,055 | 13,702 | 1,420 | 170 | 283 | 7,507,428 | 6,486,213 |
| 672,240 | 606,009 | 20,303 | 8,665 | 141 | 30 | 383,605 | 401,234 | 2,071,433 | 6,697,239 |
| 687,584 | 621,033 | 262,064 | 127,147 | 120,804 | 11,755 | 388,007 | 409,272 | 75,054,699 | 66,653,894 |
| 536,756 | 446,734 | 162,116 | 60,655 | 54,777 | 1,075 | 109,468 | 107,460 | 22,931,954 | 18,759,917 |
| | | | | | | | | (7,289,461) | (7,897,330) |
| | | | | | | | | 15,642,493 | 10,862,587 |
| | | | | | | | | 208,715 | 212,898 |
| | | | | | | | | (4,364,345) | (4,162,289) |
| | | | | | | | | (124,143) | (152,886) |
| | | | | | | | | 11,362,720 | 6,760,310 |
| 1,867,399 | 1,711,562 | 396,403 | 226,116 | 2,633,626 | 453,269 | 1,314,911 | 1,181,262 | 818,079,097 | 704,831,853 |
| | | | | | | | | 1,282,677 | 1,284,563 |
| | | | | | | | | 37,030,742 | 23,948,660 |
| 1,867,399 | 1,711,562 | 396,403 | 226,116 | 2,633,626 | 453,269 | 1,314,911 | 1,181,262 | 856,392,516 | 730,065,076 |
| 464,082 | 394,781 | 588,598 | 433,235 | 2,578,849 | 452,194 | 978,450 | 913,606 | 816,142,538 | 702,642,137 |
| | | | | | | | | (3,132,338) | (3,838,558) |
| 464,082 | 394,781 | 588,598 | 433,235 | 2,578,849 | 452,194 | 978,450 | 913,606 | 813,010,200 | 698,803,579 |
| (65,074) | (79,965) | 335,790 | 272,399 | 263,787 | 78,245 | (7,294,214) | (4,879,666) | (90,449,146) | 10,769,210 |
| - | - | - | - | - | - | - | - | 42,768,515 | (56,889,575) |
| - | - | 201,000 | - | 100,544 | 7,894 | (960,950) | 17,377,605 | (25,658,252) | 49,476,563 |
| (127,449) | (3,806) | (19,622) | (5,459) | - | - | (2,597) | (13,021) | (1,904,669) | (1,232,276) |

**50 Financial reporting by segment** (Contd.)

**50.2 Secondary segment information - Geographical segments**

Geographical segments provide products or services within a particular economic environment where risk and returns are different from those of other economic environments.

These segments comprise domestic operations, Off-shore Banking Divisions, and Off-shore Banking Units (Branches).

| | Bank | | | | Group | | | |
|---|---|---|---|---|---|---|---|---|
| | 2011 Rs.'000 | % | 2010 Rs.'000 | % | 2011 Rs.'000 | % | 2010 Rs.'000 | % |
| **Assets** | | | | | | | | |
| Domestic Banking Unit | 698,414,577 | 83.5 | 487,346,097 | 68.1 | 706,095,203 | 82.4 | 479,649,757 | 65.7 |
| Off-shore Banking Division | 124,939,715 | 15.0 | 211,371,532 | 29.6 | 124,939,715 | 14.6 | 211,371,532 | 29.0 |
| Off-shore Banking Units | 12,186,027 | 1.5 | 16,236,664 | 2.3 | 25,357,598 | 3.0 | 39,043,787 | 5.3 |
| | 835,540,319 | 100.0 | 714,954,293 | 100.0 | 856,392,516 | 100.0 | 730,065,076 | 100.0 |
| **Gross Income** | | | | | | | | |
| Domestic Banking Unit | 61,323,537 | 85.9 | 55,441,933 | 87.5 | 64,685,453 | 86.2 | 58,337,681 | 87.6 |
| Off-shore Banking Division | 8,323,684 | 11.7 | 6,549,119 | 10.3 | 8,323,684 | 11.1 | 6,549,119 | 9.8 |
| Off-shore Banking Units | 1,720,947 | 2.4 | 1,371,814 | 2.2 | 2,045,562 | 2.7 | 1,767,094 | 2.6 |
| | 71,368,168 | 100.0 | 63,362,866 | 100.0 | 75,054,699 | 100.0 | 66,653,894 | 100.0 |
| **Profit Before Tax** | | | | | | | | |
| Domestic Banking Unit | 12,421,266 | 79.9 | 6,819,905 | 67.9 | 12,796,393 | 80.7 | 7,857,643 | 70.9 |
| Off-shore Banking Division | 2,184,988 | 14.1 | 2,447,179 | 24.3 | 2,184,988 | 13.8 | 2,447,179 | 22.1 |
| Off-shore Banking Units | 939,511 | 6.0 | 785,485 | 7.8 | 869,827 | 5.5 | 770,663 | 7.0 |
| | 15,545,765 | 100.0 | 10,052,569 | 100.0 | 15,851,208 | 100.0 | 11,075,485 | 100.0 |
| **Profits After Tax** | | | | | | | | |
| Domestic Banking Unit | 9,234,655 | 80.2 | 4,343,288 | 68.2 | 9,279,253 | 80.8 | 4,905,994 | 71.0 |
| Off-shore Banking Division | 1,614,237 | 14.0 | 1,426,691 | 22.4 | 1,614,237 | 14.0 | 1,426,691 | 20.6 |
| Off-shore Banking Units | 671,903 | 5.8 | 595,333 | 9.4 | 593,373 | 5.2 | 580,511 | 8.4 |
| | 11,520,795 | 100.0 | 6,365,312 | 100.0 | 11,486,863 | 100.0 | 6,913,196 | 100.0 |

**51 Comparative Information**

The following figures applicable to year 2010 have been reclassified in the 2011 Financial Statements to maintain comparability of Financial Statements to provide a better presentation.

| 51 (a) | Bank | | | Group | | |
|---|---|---|---|---|---|---|
| | As disclosed Rs. '000 | Reclassified Rs. '000 | Adjustment Rs. '000 | As disclosed Rs. '000 | Reclassified Rs. '000 | Adjustment Rs. '000 |
| Interest income | 50,853,347 | 50,843,042 | 10,305 | 53,062,286 | 53,051,981 | 10,305 |
| Fee and commission income | 6,014,178 | 6,012,728 | 1,450 | 6,487,663 | 6,486,213 | 1,450 |
| Other operating income | 1,143,913 | 1,150,558 | (6,645) | 1,524,738 | 1,531,383 | (6,645) |
| Interest expense | (31,205,160) | (31,200,050) | (5,110) | (32,019,161) | (32,014,051) | (5,110) |

Islamic banking operations that had been reported under interest income, interest expenses and fee and commission income are now reclassified under other operating income. (please refer note No.8 (1))

**(b)** Share of profit of Associate companies which was included under income is now taken out.

# Moving towards International Financial Reporting Standards

The Institute of Chartered Accountants of Sri Lanka has already issued new set of accounting standards that are effective from 1st January 2012. Amongst them include LKAS 32 & 39 (financial instruments presentation, recognition and measurements) which require principle based objective evaluation of the fair value of assets and liabilities deviating from the present ruled based assessments. These standards require significant adjustments to the internal process of accounting, record keeping and modifications to credit appraisal methodologies to capture new information requirements. In order for successful compliance with these standards the knowledge enhancement of the staff and changes to operational instructions to adjust to these new accounting rules are vital at each level.

The following table shows the states of our preparations towards these standards.

| Steps | Status |
|---|---|
| Create awareness to the board & key management personnel and engagement of a professional firm to assist the Bank in conversions to new accounting standards. | The Bank arranged in house as well as off-site awareness program for Board of Directors and Corporate Management relating to new accounting standards. |
| Perform a gap analysis to identify significant differences between SLAS SLFRS/LKAS | Detailed assessment of accounting differences applicable to LKAS 32 and 39 were carried out with the assistance of an outside accounting firm. |
| Form a special task team comprising representatives from all business - division and offer comprehensive training. | Appointed representative from all business units and other related divisions of finance, risk, treasury, investment and internal audit and trained them with in-house and off-site programmes including overseas training. |
| Develop an implementation manual setting out the detail actions that each business is required to carry out. | Implementation manual has been developed. |
| Co-ordinate the subsidiaries and monitor their plan of conversion. | Awareness programs for subsidiaries were arranged with outside resource personnel. |
| Perform impact assessment by converting balance sheet & income statement for the year ending 31st December 2011. | The Bank is in the process of estimating the adjustments received to the opening balances of the year 2012. |
| Sourcing of technology that support the core-business systems to generate IFRS complaint reporting. | The Bank is currently under discussion with vendors who provide technology solution in IFRS conversion. |

# Capital Adequacy

Capital Adequacy Ratio (CAR) measures the relationship between risk weighted assets of credit, market and operational aspects of the banking business as against the regulatory capital, as per the Basel II guidelines issued by the Central Bank of Sri Lanka. Bank's capital with respect to bank's risk is the simplest formulation, as a bank's capital is the "cushion" for potential losses, which protect the bank's depositors or other lenders. The level of capital adequacy ratio depicts the bank's ability to withstand the associated risks and the liquidity shocks of its business.

The objective of the Capital Adequacy Ratio is to protect the depositors, whilst maintaining the financial stability and bank's capability to absorb losses during economic and market stress situations.

## BASEL II

The Basel Committee on Banking Supervision published a framework for the International Convergence of Capital Measurement and Capital Standards (commonly referred to as Basel II), which structured three pillars, Minimum capital requirement, Supervisory review process and Market Discipline.

As an initial step Banks apply Standardised approach for credit risk, Standardised measurement approach for market risk and basic indicator approach for operational risk. The Bank is in the process of implementation of The Standardised Approach (TSA) for calculating capital charge for operational risk.

## BASEL III

The third of the Basel Accords was developed in a response to the deficiencies in financial regulation revealed by the global financial crisis.

Therefore BASEL III is a new global regulatory standard on bank capital adequacy and liquidity agreed upon by the members of the Basel Committee on Banking Supervision and endorsed by the G20 Leaders at their November 2010 Seoul summit.

The Basel III Framework sets out higher and better-quality capital, better risk coverage, the introduction of a leverage ratio as a backstop to the risk-based requirement, measures to promote the build up of capital that can be drawn down in periods of stress.

The new standards will markedly reduce banks' incentive to take excessive risks, lower the likelihood and severity of future crises, and enable banks to withstand - stresses of a magnitude associated with the recent financial crisis.

Basel III introduces new regulatory requirements on bank liquidity and makes significant changes in bank regulatory capital requirements. It would increase the amount of common tangible equity held as minimum regulatory capital as common equity improves loss absorbency.

## Computation of Capital

According to the Capital adequacy norms all commercial Banks incorporated in Sri Lanka are required to compute Capital adequacy on the solo basis and on the consolidated basis. There are two Tiers of Capital which required banks to maintain two CARs, named Tier I CAR (Core capital ratio) and Tier I plus Tier II CAR (Total capital ratio). 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 Monerary Board.

| | Bank | | Group | |
|---|---|---|---|---|
| **As at 31st December** | **2011 Rs.Million** | **2010 Rs.Million** | **2011 Rs.Million** | **2010 Rs.Million** |
| **TIER I:Core Capital** | | | | |
| Paid-up ordinary shares | **5,000** | 5,000 | **5,000** | 5,000 |
| Permanent reserve fund | **3,008** | 2,778 | **3,008** | 2,778 |
| Published retained profits | **24,592** | 18,713 | **25,884** | 20,393 |
| General and other reserves | **2,950** | 1,516 | **3,443** | 1,847 |
| Minority interests (consistent with the above capital constituents) | **-** | - | **1,381** | 1,065 |
| Deductions | **(3,039)** | (2,673) | **(846)** | (911) |
| **Total eligible core capital** (TIER I capital) | **32,511** | 25,334 | **37,870** | 30,172 |
| **TIER II: Supplementary capital** | | | | |
| Revaluation reserve (as approved by Central Bank of Sri Lanka) | **2,306** | 63 | **2,306** | 63 |
| General provisions | **1,968** | 2,396 | **1,968** | 2,396 |
| Approved subordinated term debt | **10,348** | 8,494 | **10,348** | 8,494 |
| Deductions | **(2,696)** | (2,509) | **(503)** | (747) |
| Total eligible supplementary capital (TIER II capital) | **11,926** | 8,444 | **14,119** | 10,206 |
| Total capital base | **44,437** | 33,778 | **51,989** | 40,378 |

## Tier I and Tier II Capital of the Bank

Capital is the core measure of a Bank's financial strength from the regulators' point of view.

Tier I capital as at 31st December 2011 of the Bank was Rs.32,511 million (2010 - Rs.25,334 million) and for the Group was Rs.37,870 million (2010 - Rs.30,172 million).Tier II capital as at 31st December 2011 of the Bank was Rs.11,926 million (2010 - Rs.8,444 million) and for the Group was Rs.14,119 million (2010 - Rs.10,206 million).

**Computation of risk weighted assets**
**Credit Risk - The Standardised Approach**

| Computation of risk-weighted assets | | Bank | | | | Group | | | |
|---|---|---|---|---|---|---|---|---|---|
| **As at 31st December** | | **2011** | | 2010 | | **2011** | | 2010 | |
| | Risk weight factor | **On Balance Sheet assets & credit equivalent of Off Balance Sheet assets Rs. Million** | **Risk Weighted Assets Rs. Million** | On Balance Sheet assets & credit equivalent of Off Balance Sheet assets Rs. Million | Risk weighted assets Rs. Million | **On Balance Sheet assets & credit equivalent of Off Balance Sheet assets Rs. Million** | **Risk weighted assets Rs. Million** | On Balance Sheet assets & credit equivalent of Off Balance Sheet assets Rs. Million | Risk weighted assets Rs. Million |
| **Assets** | | | | | | | | | |
| Claims on Government of Sri Lanka and Central Bank of Sri Lanka | 0 | **268,914** | **-** | 305,283 | - | **271,708** | **-** | 306,705 | - |
| Claims on foreign sovereigns and their Central Banks | 0-150 | **3,891** | **3,395** | 7,448 | 6,897 | **3,891** | **3,395** | 7,448 | 6,897 |
| Claims on Public Sector Entities (PSEs) | 20-150 | **44,033** | **44,033** | 101 | 101 | **44,033** | **44,033** | 101 | 101 |
| Claims on banks | 20-150 | **28,590** | **14,859** | 57,536 | 12,938 | **28,590** | **14,859** | 62,630 | 18,031 |
| Claims on financial institutions | 20-150 | **7,300** | **4,078** | 1,585 | 1,267 | **7,300** | **4,078** | 1,585 | 1,267 |
| Claims on corporates | 20-150 | **93,487** | **92,418** | 73,937 | 73,506 | **112,294** | **111,225** | 83,537 | 83,106 |
| Retail claims | 75-100 | **99,105** | **84,998** | 58,672 | 48,967 | **99,105** | **84,998** | 58,672 | 48,967 |
| Claims secured by residential property | 50-100 | **26,763** | **20,423** | 21,024 | 14,536 | **26,763** | **20,423** | 21,024 | 14,536 |
| Non-Performing Assets (NPAs) | 50-150 | **4,353** | **6,104** | 5,447 | 6,477 | **4,353** | **6,104** | 5,447 | 6,477 |
| Cash items | 0-20 | **17,342** | **1,100** | 13,045 | 857 | **17,460** | **1,100** | 12,696 | 857 |
| Exposures collateralised by cash, gold & Government Securities | 0 | **268,750** | **-** | 226,901 | - | **268,750** | **-** | 226,901 | - |
| Property, plant & equipment | 100 | **10,595** | **10,595** | 5,622 | 5,622 | **13,005** | **13,005** | 7,497 | 7,497 |
| Other assets | 100 | **40,215** | **40,215** | 27,116 | 27,116 | **41,363** | **41,363** | 28,131 | 28,131 |
| Total exposure | | **913,338** | **322,218** | 803,717 | 198,284 | **938,615** | **344,583** | 822,374 | 215,867 |

# Capital Adequacy

| | | Bank | | | | Group | | | |
|---|---|---|---|---|---|---|---|---|---|
| **As at 31st December** | | **2011** | | 2010 | | **2011** | | 2010 | |
| **Off Balance Sheet exposure** | **Credit conversion factor %** | **Assets** | **Credit equivalent** | **Assets** | **Credit equivalent** | **Assets** | **Credit equivalent** | **Assets** | **Credit equivalent** |
| Direct credit substitutes | 100 | 33,490 | 33,490 | 23,438 | 23,438 | 33,490 | 33,490 | 23,438 | 23,438 |
| Transaction-related contingencies | 50 | 16,980 | 8,490 | 129,686 | 64,843 | 16,980 | 8,490 | 129,686 | 64,843 |
| Short-term self-liquidating trade-related contingencies | 20 | 177,608 | 35,522 | 11,669 | 2,334 | 177,608 | 35,522 | 11,669 | 2,334 |
| Other commitments with an original maturity of up to one year or which can be unconditionally cancelled at any time | 0 | 25,825 | - | 23,305 | - | 25,825 | - | 23,305 | - |
| Commitments with an original maturity up to 1 year & maturity of over one year | 20-50 | 9,047 | 2,622 | - | - | 9,047 | 2,622 | - | - |
| Foreign exchange contracts | 0-5 | 72,188 | 1,444 | 46,722 | 934 | 72,188 | 1,444 | 46,722 | 934 |
| **Total off Balance Sheet exposure** | | **335,138** | **81,568** | **234,820** | **91,549** | **335,138** | **81,568** | **234,820** | **91,549** |

The credit risk is measured using standardised approach and it relies on credit ratings of borrowers assigned by "external credit assessment institutions" (ECAIs) to compute banks' regulatory capital for credit risk.

The risk weighted assets in credit risk increased by 63% compared to 2010, largely driven by increase in exposures to corporate, retail and public sector entities .

| **Market Risk - The Standardised Measurement Approach** | Bank | | Group | |
|---|---|---|---|---|
| **As at 31st December** | **2011** | 2010 | **2011** | 2010 |
| | **Rs.'000** | Rs.'000 | **Rs.'000** | Rs.'000 |
| Capital charge for | | | | |
| Interest rate risk | **467,898** | 692,669 | **467,898** | 692,669 |
| Equity | **662,494** | 582,919 | **662,494** | 582,919 |
| Foreign exchange & gold | **574,250** | 2,294 | **574,250** | 2,294 |
| Total capital charge for market risk | **1,704,642** | 1,277,882 | **1,704,642** | 1,277,882 |
| Total risk weighted assets for market risk | **17,046,420** | 12,778,820 | **17,046,420** | 12,778,820 |

Market risk is the risk of losses arising from undesirable market movements. This subjects to the risks pertaining to adverse movements in the market prices of interest rate instruments, equities in the trading book, and foreign exchange position including gold position. Market risk increased by Rs.4.3 billion (33.4%) to Rs.17 billion during the year 2011, in line with increased foreign exchange position.

**Operational Risk-The Basic Indicator Approach**

| | Bank | | Group | |
|---|---|---|---|---|
| **As at 31st December** | **2011** | 2010 | **2011** | 2010 |
| | **Rs.'000** | Rs.'000 | **Rs.'000** | Rs.'000 |
| Capital charge for operational risk | | | | |
| Total gross income of three consecutive years | **84,910,955** | 69,800,884 | **90,719,220** | 74,153,854 |
| Average gross income | **28,303,652** | 23,266,961 | **30,239,740** | 24,717,951 |
| Total capital charge for operational risk-(15%) | **4,245,548** | 3,490,044 | **4,535,961** | 3,707,693 |
| Total risk weighted assets for operational risk | **42,455,478** | 34,900,442 | **45,359,610** | 37,076,927 |

Operational risk is defined as the losses resulting from inadequate or failed internal processes, people, systems or any other internal or external events. Under basic indicator Approach the Bank maintains capital for operational risk at 15% on the average positive income of the three immediately preceding years. Bank is in the process of introducing standardised approach for operational risk.

Operational risk increased by Rs.7.6 billion or 21.65% to Rs.42.5 billion during the year, due to the change in gross income level. The growth reflects the strong performance over previous year.

| | Bank | | Group | |
|---|---|---|---|---|
| **As at 31st December** | **2011** | 2010 | **2011** | 2010 |
| | **Rs. Million** | Rs. Million | **Rs. Million** | Rs. Million |
| **Computation of ratios** | | | | |
| **Total risk-weighted assets** | | | | |
| Total risk weighted assets for credit risk | **322,218** | 198,284 | **344,583** | 215,867 |
| Total risk weighted assets for market risk | **17,046** | 12,779 | **17,046** | 12,779 |
| Total risk weighted assets for operational risk | **42,455** | 34,900 | **45,360** | 37,077 |
| **Sub Total** | **381,719** | 245,963 | **406,989** | 265,723 |
| Total eligible core capital (TIER 1 capital) | **32,511** | 25,334 | **37,870** | 30,172 |
| Total eligible supplementary capital (TIER II capital) | **11,926** | 8,444 | **14,119** | 10,206 |
| **Total capital base** | **44,437** | 33,778 | **51,989** | 40,378 |
| **Core capital ratio** | **8.52%** | 10.30% | **9.31%** | 11.35% |
| **Capital adequacy ratio** | **11.64%** | 13.73% | **12.77%** | 15.20% |

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 Rs.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 Rs.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% |

Compliance to the directions on Interim Financial Statements, which were applicable to the Bank for the year ended 31st December 2011 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 2011<br>Quarter 2 ended 30th June 2011<br>Quarter 3 ended 30th September 2011 | 26/05/2011 & 27/05/2011<br>18/08/2011<br>22/11/2011 & 27/11/2011 |
| 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 2011 (Audited) | 29/03/2012 |

Compliance to the Listing Rules on contents of Annual Report, which were applicable to the Bank for the year ended 31st December 2011 enforced by the Colombo Stock Exchange, are summarised below:

| Rule No. | Requirement | Period | Date submitted |
|---|---|---|---|
| 7.4 a (i) | The Interim Financial Statements prepared on quarterly basis, approved by the Board of Directors to be submitted to CSE within 45 days from respective quarter ends for the first three quarters and within two months at the end of fourth quarter | Quarter 1 ended 31st March 2011<br>Quarter 2 ended 30th June 2011<br>Quarter 3 ended 30th September 2011<br>Quarter 4 ended 31st December 2011 | 12/05/11<br>12/08/11<br>14/11/2011<br>29/02/2012 |

| 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 2011 was submitted on 28th March 2012. Annual Report for the year 2011 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, | 160 |
| 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,<br>Significant Accounting Policies,<br>Investor Information, | 160<br>180<br>294 |
| 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 foreseeable risk factors of the entity | Risk Management | 56 |
| 7.6 (vii) | Details of material issues pertaining to employees and industrial relations of the entity | No material issues occured during the year under review | |
| 7.6 (viii) | Extents, locations, valuations and the number of buildings of the entity's land holdings and investment properties; | Note No.31 to the Financial Statements on property, plant and equipment | 233 |
| 7.6 (ix) | Number of shares representing the entity's stated capital | Note No.41 to the Financial Statements on stated capital | 252 |
| 7.6 (x) | A distribution schedule of the number of holders in each class of equity securities and percentage of their total holdings | Invester Information | 284 |

# Investor Information

| Rule No. | Disclosure requirement | Reference/comments | Page No. |
|---|---|---|---|
| 7.6 (xi) | Ratios and market price information : | | |
| | 1. Dividend per share, net assets value per share, interest rate of comparable government securities, debt/equity ratio, interest cover and liquid asset ratio | Investor Information | 279 |
| | | Note No.17 to the Financial Statements on earnings per share and dividends per share. | 204 |
| | 2. Market information on listed debentures | Invester Information | 283 |
| | | Note No.40 to the Financial Statements on Debentures | 248 |
| | 3. Any changes in credit rating | Management Discussion & Analysis | 55 |
| 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.31 to the Financial Statements on property, plant and equipment | 233 |
| 7.6 (xiii) | During the year the entity has raised funds either through a public issue, rights issue and private placement; | Note No.40 to the Financial Statements on Debentures | 248 |
| 7.6 (xiv) | Information inrespect 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 | 65 |
| 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 | 287 |

## Income Statement in US$

| For the year ended 31st December | Bank 2011 US$ '000 | Bank 2010 US$ '000 | Group 2011 US$ '000 | Group 2010 US$ '000 |
|---|---|---|---|---|
| **Income** | 626,559 | 568,251 | 658,924 | 597,766 |
| Interest income | 533,295 | 455,971 | 559,486 | 475,781 |
| Interest expense | (318,061) | (279,809) | (328,201) | (287,109) |
| **Net interest income** | 215,234 | 176,162 | 231,285 | 188,672 |
| Fee and commission income | 62,698 | 53,923 | 65,910 | 58,170 |
| Fee and commission expenses | (4,442) | (4,191) | (5,394) | (4,986) |
| **Net fee and commission income** | 58,256 | 49,732 | 60,516 | 53,184 |
| Foreign exchange profit | 15,331 | 3,665 | 15,342 | 3,753 |
| Dividend income | 6,256 | 4,206 | 3,977 | 2,313 |
| Net gains/(loss) from investment in securities | (11,154) | 27,853 | (11,051) | 31,463 |
| Other operating income | 12,089 | 10,318 | 17,082 | 13,734 |
| | 22,522 | 46,042 | 25,350 | 51,263 |
| **Operating income** | 296,012 | 271,936 | 317,151 | 293,119 |
| **Operating expenses** | | | | |
| Personnel expenses | (72,246) | (72,141) | (80,436) | (78,308) |
| Staff retirement benefits | (18,755) | (20,323) | (19,350) | (20,619) |
| Premises, equipment and establishment expenses | (26,844) | (25,633) | (25,429) | (24,680) |
| Other operating expenses | (30,499) | (26,082) | (34,769) | (32,109) |
| | (148,344) | (144,179) | (159,984) | (155,716) |
| **Operating profit before provisions** | 147,668 | 127,757 | 157,167 | 137,403 |
| Provision for loan losses | (3,807) | (13,989) | (4,956) | (15,479) |
| Recovery of non performing advances | 7,545 | 12,268 | 7,679 | 12,507 |
| Reversal of provision for fall in value of investments in related companies | 7,159 | - | - | - |
| **Operating profit before VAT** | 158,565 | 126,036 | 159,890 | 134,431 |
| Value added tax on financial services | (22,086) | (35,884) | (22,561) | (37,011) |
| **Operating profit** | 136,479 | 90,152 | 137,329 | 97,420 |
| Share of profit of associate companies before tax | - | - | 1,832 | 1,909 |
| **Profit before taxation** | 136,479 | 90,152 | 139,161 | 99,329 |
| Income tax expense | (35,336) | (33,068) | (38,316) | (37,328) |
| **Profit for the year** | 101,143 | 57,084 | 100,845 | 62,001 |
| **Attributable to:** | | | | |
| Equity holder of the parent | 101,143 | 57,084 | 99,754 | 60,630 |
| Minority interest | - | - | 1,090 | 1,371 |
| **Profit for the year** | 101,143 | 57,084 | 100,844 | 62,001 |
| **Basic earnings per share (US$)** | 20 | 11 | 20 | 12 |
| **Diluted earnings per share (US$)** | 20 | 11 | 20 | 12 |
| **Dividend per share (US$)** | 7 | 6 | 7 | 6 |

Exchange rate of 1 US$ was Rs.113.9050 as at 31st December 2011. (Rs.111.5050 as at 31st December 2010)

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

## Balance Sheet in US$

| As at 31st December | Bank 2011 US$ ' 000 | Bank 2010 US$ ' 000 | Group 2011 US$ ' 000 | Group 2010 US$ ' 000 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Cash and short term funds | 163,917 | 126,486 | 164,956 | 123,356 |
| Balances with Central Banks | 267,130 | 232,227 | 267,130 | 232,227 |
| Treasury bills, bonds and other eligible bills | 515,900 | 406,968 | 523,346 | 415,665 |
| Securities purchased under re-sale agreements | 9,438 | 366,262 | 14,195 | 366,262 |
| Dealing securities | 31,376 | 28,988 | 35,370 | 34,128 |
| Placement with and loans to other banks | 127,692 | 382,761 | 165,154 | 428,442 |
| Treasury bonds maturing after one year | 281,757 | 460,040 | 294,080 | 464,098 |
| Loans & advances to customers | | | | |
| Bills of exchange | 147,113 | 138,074 | 152,664 | 143,631 |
| Loans & advances | 4,498,825 | 3,166,655 | 4,536,541 | 3,186,094 |
| Lease rentals receivable - within one year | 28,313 | 16,483 | 65,426 | 40,903 |
| Lease rentals receivable - one to five years | 98,061 | 21,415 | 151,331 | 60,479 |
| Lease rentals receivable - after five years | 543 | 18 | 543 | 20 |
| | 4,772,855 | 3,342,645 | 4,906,505 | 3,431,127 |
| Government of Sri Lanka Restructuring Bonds | 75,036 | 76,651 | 75,036 | 76,651 |
| Investment securities | 731,495 | 723,228 | 733,917 | 727,486 |
| Investment properties | - | - | 1,456 | 3,470 |
| Investments in Associate companies | 7,401 | 7,575 | 11,261 | 11,520 |
| Investments in Subsidiary companies | 54,789 | 47,344 | - | - |
| Other assets | 200,602 | 158,795 | 209,734 | 164,241 |
| Property, plant and equipment | 92,348 | 49,725 | 111,685 | 66,098 |
| Leasehold land | 670 | 695 | 1,030 | 1,076 |
| Intangible assets | 3,010 | 1,469 | 3,625 | 1,528 |
| **Total assets** | 7,335,416 | 6,411,859 | 7,518,480 | 6,547,375 |
| **FINANCED BY ;** | | | | |
| **LIABILITIES** | | | | |
| Deposits | 5,168,909 | 4,701,428 | 5,242,426 | 4,747,040 |
| Borrowed funds | 822,387 | 470,339 | 876,000 | 515,062 |
| Securities sold under re-purchase agreements | 427,763 | 480,001 | 426,312 | 475,035 |
| Insurance provision - life | - | - | 937 | 600 |
| Insurance provision - non Life | - | - | 2,882 | 2,267 |
| Tax payable | 10,004 | 19,728 | 11,318 | 21,726 |
| Deferred tax liability | 9,719 | 4,104 | 10,066 | 4,390 |
| Other liabilities | 180,871 | 136,840 | 194,324 | 147,238 |
| Debentures | 363,161 | 347,127 | 373,351 | 353,657 |
| **Total liabilities** | 6,982,814 | 6,159,567 | 7,137,616 | 6,267,015 |
| **SHAREHOLDERS' EQUITY** | | | | |
| Stated capital | 43,896 | 44,841 | 43,896 | 44,841 |
| Permanent reserve fund | 26,408 | 24,909 | 26,408 | 24,909 |
| Retained profits | 215,899 | 167,820 | 227,243 | 182,889 |
| Other reserves | 66,399 | 14,722 | 71,196 | 18,166 |
| **Total equity attributable to the parent** | 352,602 | 252,292 | 368,743 | 270,805 |
| Minority interest | - | - | 12,121 | 9,555 |
| **Total equity** | 352,602 | 252,292 | 380,864 | 280,360 |
| **Total liabilities and equity** | 7,335,416 | 6,411,859 | 7,518,480 | 6,547,375 |
| Commitments and contingencies | 2,756,762 | 2,001,389 | 2,763,245 | 2,017,328 |

Exchange rate of 1 US$ was Rs.113.9050 as at 31st December 2011. (Rs.111.5050 as at 31st December 2010)

The Balance Sheet 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

**Rs. Million**

| | 2011 | | | | | 2010 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **For the quarter ended** | **1st Quarter 31.03.11** | **2nd Quarter 30.06.11** | **3rd Quarter 30.09.11** | **4th Quarter 31.12.11** | **Total 31.12.11** | 1st Quarter 31.03.10 | 2nd Quarter 30.06.10 | 3rd Quarter 30.09.10 | 4th Quarter 31.12.10 | Total 31.12.10 |
| **Group** | | | | | | | | | | |
| Net interest income | 5,812 | 6,254 | 6,307 | 7,972 | 26,345 | 4,223 | 4,940 | 5,408 | 6,467 | 21,038 |
| Non-interest income | 2,546 | 2,098 | 3,893 | 3,992 | 12,529 | 2,404 | 3,882 | 3,652 | 3,658 | 13,596 |
| Less: Non-interest expenses | 4,288 | 4,739 | 5,111 | 5,959 | 20,097 | 4,099 | 4,488 | 4,432 | 4,901 | 17,920 |
| Provision for bad & doubtful debts | 159 | (5) | 295 | 116 | 565 | 575 | 650 | 467 | 34 | 1,726 |
| Profit from operations before taxes | 3,911 | 3,618 | 4,794 | 5,889 | 18,212 | 1,953 | 3,684 | 4,161 | 5,190 | 14.988 |
| Less: Value added tax on financial services | 511 | 549 | 690 | 820 | 2,570 | 617 | 1,090 | 1,126 | 1,293 | 4,126 |
| Profit from operations before corporate tax | 3,400 | 3,069 | 4,104 | 5,070 | 15,642 | 1,336 | 2,594 | 3,035 | 3,897 | 10,862 |
| Add: share of profit of Associate companies | 49 | 65 | 46 | 49 | 209 | 74 | 69 | (6) | 76 | 213 |
| Profit before taxation | 3,449 | 3,134 | 4,149 | 5,119 | 15,851 | 1,410 | 2,663 | 3,029 | 3,973 | 11,075 |
| Less: Income tax expense | 1,216 | 988 | 1,269 | 891 | 4,364 | 555 | 1,053 | 828 | 1,726 | 4,162 |
| Profit after taxation | 2,233 | 2,146 | 2,880 | 4,228 | 11,487 | 855 | 1,610 | 2,201 | 2,247 | 6,913 |
| Quarterly profit as a % of the profit after tax | 19 | 19 | 25 | 37 | 100 | 12 | 23 | 32 | 33 | 100 |
| Cumulative profit as a % of the profit after tax | 19 | 38 | 63 | 100 | - | 12 | 35 | 67 | 100 | - |
| **Bank** | | | | | | | | | | |
| Net-interest income | 5,417 | 5,850 | 5,861 | 7,388 | 24,516 | 3,915 | 4,624 | 5,041 | 6,062 | 19,642 |
| Non interest income | 2,373 | 1,876 | 3,795 | 4,610 | 12,654 | 2,356 | 3,632 | 3,184 | 3,341 | 12,513 |
| Less: Non-interest expenses | 3,979 | 4,345 | 4,771 | 5,579 | 18,674 | 3,905 | 4,211 | 4,063 | 4,364 | 16,543 |
| Provision for bad & doubtful debts | 125 | (46) | 281 | 74 | 434 | 553 | 606 | 441 | (41) | 1,559 |
| Profit from operations before taxes | 3,686 | 3,427 | 4,604 | 6,345 | 18,062 | 1,813 | 3,439 | 3,721 | 5,080 | 14,053 |
| Less: Value added tax on financial services | 493 | 539 | 675 | 809 | 2,516 | 599 | 1,062 | 1,086 | 1,254 | 4,001 |
| Profit before taxation | 3,193 | 2,888 | 3,929 | 5,536 | 15,546 | 1,214 | 2,377 | 2,635 | 3,826 | 10,052 |
| Less: Income tax expense | 1,116 | 923 | 1,191 | 795 | 4,025 | 457 | 937 | 698 | 1,595 | 3,687 |
| Profit after taxation | 2,077 | 1,965 | 2,738 | 4,741 | 11,521 | 757 | 1,440 | 1,937 | 2,231 | 6,365 |
| Quarterly profit as a % of the profit after tax | 18 | 17 | 24 | 41 | 100 | 12 | 23 | 30 | 35 | 100 |
| Cumulative profit as a % of the profit after tax | 18 | 35 | 59 | 100 | - | 12 | 35 | 65 | 100 | - |

# Investor Information

## Summary of the Balance Sheet

**Rs. Million**

| As at | 2011 1st Quarter 31.03.11 | 2011 2nd Quarter 30.06.11 | 2011 3rd Quarter 30.09.11 | 2011 4th Quarter 31.12.11 | 2010 1st Quarter 31.03.10 | 2010 2nd Quarter 30.06.10 | 2010 3rd Quarter 30.09.10 | 2010 4th Quarter 31.12.10 |
|---|---|---|---|---|---|---|---|---|
| **Group** | | | | | | | | |
| Net loans & advances | 403,619 | 423,683 | 456,318 | 558,875 | 300,257 | 339,037 | 327,588 | 382,588 |
| Investments | 236,349 | 246,190 | 221,714 | 192,182 | 182,660 | 168,842 | 205,887 | 233,693 |
| Prperty, plant & equipment | 7,837 | 8,194 | 8,435 | 12,839 | 7,336 | 7,569 | 7,885 | 7,490 |
| Other assets | 95,551 | 92,901 | 111,919 | 92,497 | 63,579 | 91,321 | 94,179 | 106,294 |
| | 743,356 | 770,968 | 798,386 | 856,393 | 553,832 | 606,769 | 635,539 | 730,065 |
| Deposits | 526,505 | 544,138 | 569,211 | 597,139 | 407,727 | 434,889 | 456,020 | 529,319 |
| Borrowings | 158,999 | 169,965 | 170,856 | 190,866 | 99,422 | 124,855 | 130,032 | 149,835 |
| Other Liabilities | 26,869 | 24,409 | 23,329 | 25,006 | 20,472 | 19,232 | 20,234 | 19,650 |
| Shareholders' Funds | 30,983 | 32,456 | 34,990 | 43,382 | 26,211 | 27,793 | 29,253 | 31,261 |
| | 743,356 | 770,968 | 798,386 | 856,393 | 553,832 | 606,769 | 635,539 | 730,065 |
| **Bank** | | | | | | | | |
| Net Loans & Advances | 393,398 | 412,716 | 444,057 | 543,652 | 292,342 | 330,582 | 318,212 | 372,722 |
| Investments | 238,993 | 248,765 | 223,923 | 194,458 | 185,417 | 171,508 | 208,719 | 236,063 |
| Property, plant & equipment | 5,890 | 6,137 | 6,351 | 10,595 | 5,892 | 5,682 | 5,991 | 5,622 |
| Other Assets | 85,791 | 86,639 | 104,806 | 86,835 | 62,444 | 79,253 | 88,718 | 100,547 |
| | 724,072 | 754,257 | 779,137 | 835,540 | 546,095 | 587,025 | 621,640 | 714,954 |
| Deposits | 521,167 | 538,471 | 562,865 | 588,765 | 406,515 | 430,690 | 452,587 | 524,233 |
| Borrowings | 150,015 | 164,139 | 163,876 | 183,764 | 97,020 | 113,764 | 124,337 | 144,674 |
| Other Liabilities | 25,181 | 22,645 | 20,944 | 22,848 | 19,080 | 17,651 | 18,611 | 17,915 |
| Shareholders' Funds | 27,709 | 29,002 | 31,452 | 40,163 | 23,480 | 24,920 | 26,105 | 28,132 |
| | 724,072 | 754,257 | 779,137 | 835,540 | 546,095 | 587,025 | 621,640 | 714,954 |

## Financial Measures

| As at | 2011 1st Quarter 31.03.11 | 2011 2nd Quarter 30.06.11 | 2011 3rd Quarter 30.09.11 | 2011 4th Quarter 31.12.11 | 2010 1st Quarter 31.03.10 | 2010 2nd Quarter 30.06.10 | 2010 3rd Quarter 30.09.10 | 2010 4th Quarter 31.12.10 |
|---|---|---|---|---|---|---|---|---|
| **Group** | | | | | | | | |
| **Profitability** | | | | | | | | |
| Interest Margin (%) | 3.16 | 3.22 | 3.21 | 3.32 | 3.07 | 3.18 | 3.28 | 3.29 |
| Return on assets (before tax) (%) | 1.87 | 1.75 | 1.87 | 2.00 | 1.02 | 1.41 | 1.60 | 1.73 |
| Return on equity (after tax) (%) | 28.70 | 27.49 | 29.22 | 30.78 | 13.20 | 18.46 | 21.91 | 24.35 |
| **Investor information** | | | | | | | | |
| Earnings per share (Rs.) | 1,749.00 | 1,699.63 | 1,904.97 | 2,272.54 | 664.69 | 1,255.46 | 1,215.09 | 1,352.06 |
| Net assets value per share (Rs.) | 5,976.17 | 6,266.37 | 6,773.73 | 8,400.33 | 5,049.13 | 5,365.27 | 5,646.36 | 6,039.20 |
| **Capital Adequacy Ratios** | | | | | | | | |
| Tier 1 (%) | 10.39 | 10.05 | 8.95 | 9.31 | 11.88 | 10.93 | 10.58 | 11.35 |
| Total (Tier 1+ Tier 2) (%) | 13.91 | 13.10 | 11.56 | 12.77 | 13.83 | 15.83 | 15.57 | 15.20 |
| **Assets quality** | | | | | | | | |
| Net non-performing asset ratio (Net of interest in suspense & provision) | 3.49 | 3.19 | 2.98 | 2.24 | 2.97 | 2.61 | 2.56 | 1.55 |
| Gross non-performing asset ratio (Net of interest in suspense) | 1.68 | 1.45 | 1.39 | 0.91 | 5.63 | 4.96 | 4.95 | 3.49 |
| **Bank** | | | | | | | | |
| **Profitability** | | | | | | | | |
| Interest Margin (%) | 3.01 | 3.07 | 3.06 | 3.16 | 2.89 | 3.04 | 3.12 | 3.14 |
| Return on assets (before tax) (%) | 1.77 | 1.66 | 1.79 | 2.01 | 0.89 | 1.28 | 1.43 | 1.60 |
| Return on equity (after tax) (%) | 29.76 | 28.30 | 30.34 | 33.74 | 12.48 | 17.62 | 21.59 | 24.01 |
| **Investor information** | | | | | | | | |
| Interest cover (times) | 2.24 | 2.13 | 2.24 | 2.37 | 1.59 | 1.87 | 1.94 | 2.1 |
| Earnings per share (Rs.) | 1,661.60 | 1,572.22 | 1,808.01 | 2,304.16 | 603.94 | 1,152.12 | 1,101.08 | 1,273.06 |
| Net assets value per share (Rs.) | 5,541.77 | 5,800.41 | 6,290.48 | 8,032.62 | 4,696.06 | 4,984.09 | 5,221.11 | 5,626.37 |
| **Capital Adequacy Ratios** | | | | | | | | |
| Tier 1 (%) | 9.47 | 9.08 | 8.07 | 8.52 | 10.95 | 10.20 | 9.59 | 10.30 |
| Total (Tier 1+ Tier 2) (%) | 12.62 | 11.72 | 10.31 | 11.64 | 13.83 | 14.92 | 14.27 | 13.73 |
| **Assets quality** | | | | | | | | |
| Gross non-performing asset ratio (%) (Net of interest in suspense & provision) | 3.27 | 2.98 | 2.78 | 2.06 | 2.78 | 2.79 | 2.39 | 1.42 |
| Net non-performing asset ratio (%) (Net of interest in suspense) | 1.50 | 1.30 | 1.23 | 0.77 | 5.39 | 5.65 | 4.73 | 3.30 |
| **Regulatory Liquidity** | | | | | | | | |
| Statutory liquid asset ratios | | | | | | | | |
| Domestic banking unit (%) | 23.57 | 24.88 | 23.21 | 23.36 | 24.55 | 21.13 | 25.87 | 28.65 |
| Off-shore banking unit (%) | 50.65 | 52.44 | 43.59 | 24.39 | 41.40 | 55.46 | 44.52 | 74.17 |

# Investor Information

## Information on Debentures issued by the Bank

| Description | Note | Interest payable frequency | Issue date | Maturity date | Coupon rate | | Effective annual rate | | Interest rate of comparable Government security | Amount as at 31st December | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | 2011 | 2010 | 2011 | 2010 | | 2011 | 2010 |
| | | | | | % | % | % | % | % | Rs' 000 | Rs' 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 | 19.00 | 19.00 | 10.25 | 345,190 | 345,190 |
| Unsecured, subordinated, redeemable debentures | a | At maturity | 24.11.2008 | 24.11.2013 | - | - | 17.61 | 17.61 | 10.25 | 380,383 | 322,775 |
| Unsecured, subordinated, redeemable debentures | a | Annually | 28.06.2010 | 28.06.2015 | 11.50 | 11.50 | 11.50 | 11.50 | 11.05 | 1,074,670 | 1,074,670 |
| Unsecured, subordinated, redeemable debentures | a | Annually | 08.12.2011 | 08.12.2016 | 11.00 | - | 11.00 | - | 11.40 | 3,900,140 | - |
| Unsecured, subordinated, redeemable debentures | a | Semi annually | 08.12.2011 | 08.12.2016 | 10.50 | - | 10.50 | - | 11.40 | 2,300 | - |
| Unsecured, redeemable debentures | | Annually | 01.07.2010 | 01.07.2015 | 13.20 | 13.20 | 13.20 | 13.20 | 11.05 | 1,000,000 | 1,000,000 |
| Unsecured, redeemable debentures | | Annually | 14.07.2010 | 14.07.2015 | 13.20 | 13.20 | 13.20 | 13.20 | 11.05 | 2,000,000 | 2,000,000 |
| Unsecured, redeemable debentures | | Annually | 17.09.2010 | 17.09.2015 | 11.00 | 11.00 | 11.00 | 11.00 | 11.05 | 1,428,813 | 1,428,813 |
| | | | | | | | | | | 10,131,496 | 6,171,448 |
| **Floating interest rate** | | | | | | | | | | | |
| Unsecured, subordinated, redeemable debentures | b | Semi annually | 31.12.2003 | 31.12.2011 | - | 10.43 | - | 10.56 | - | - | 250,000 |
| (6 months TB (Gross) rate plus 150 basis points) | | | | | | | | | | | |
| Unsecured, subordinated, redeemable debentures | c | Semi annually | 27.10.2006 | 27.10.2011 | - | 8.94 | - | 11.88 | - | - | 1,000,000 |
| (12 months TB (Gross) rate plus 75 basis points) | | | | | | | | | | | |
| Unsecured, subordinated, redeemable debentures | c | Annually | 15.08.2008 | 15.08.2013 | 9.06 | 10.49 | 9.95 | 12.87 | 10.25 | 300,000 | 300,000 |
| (12 months TB (Gross) rate plus 100 basis points) | | | | | | | | | | | |

| Description | Note | Interest payable frequency | Issue date | Maturity date | Coupon rate | | Effective annual rate | | Interest rate of comparable Government security | Amount as at 31st December | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | 2011 | 2010 | 2011 | 2010 | | 2011 | 2010 |
| | | | | | % | % | % | % | % | Rs' 000 | Rs' 000 |
| Unsecured, subordinated, redeemable debentures | a/b | Semi annually | 24.11.2008 | 24.11.2013 | 9.13 | 8.95 | 9.05 | 10.46 | 10.25 | 3,699,390 | 3,699,390 |
| (6 months TB rate (Gross) plus 75 basis points) | | | | | | | | | | | |
| Unsecured, subordinated, redeemable debentures | a/b | Semi annually | 28.06.2010 | 28.06.2015 | 10.26 | 8.95 | 8.98 | 11.54 | 11.05 | 3,925,330 | 3,925,330 |
| (6 months TB rate (Gross) plus 75 basis points) | | | | | | | | | | | |
| Unsecured, subordinated, redeemable debentures | a/b | Semi annually | 08.12.2011 | 08.12.2016 | 10.26 | - | 10.26 | - | 11.40 | 1,097,560 | - |
| (6 months TB (Gross) rate plus 75 basis points) | | | | | | | | | | | |
| Unsecured, redeemable, debentures | c | Annually | 17.11.2006 | 17.11.2011 | - | 8.19 | - | 10.98 | - | - | 1,200,000 |
| (12 months TB (Gross) rate) | | | | | | | | | | | |
| Unsecured, redeemable, debentures | c | Annually | 10.01.2007 | 10.01.2012 | 8.39 | 10.39 | 8.44 | 10.39 | 10.10 | 1,500,000 | 1,500,000 |
| (12 months TB (Gross) rate) | | | | | | | | | | | |
| Unsecured, redeemable, debentures | c | Annually | 12.03.2007 | 12.03.2012 | 8.14 | 10.52 | 8.60 | 12.30 | 10.10 | 1,000,000 | 1,000,000 |
| (12 months TB (Gross) rate) | | | | | | | | | | | |
| Unsecured, redeemable, debentures | c | Annually | 03.10.2007 | 03.10.2012 | 8.62 | 8.39 | 8.45 | 11.73 | 10.10 | 1,000,000 | 1,000,000 |
| (12 months TB (Gross) rate plus 50 basis points) | | | | | | | | | | | |
| Unsecured, redeemable, debentures | c | Annually | 01.11.2007 | 01.11.2012 | 8.77 | 8.69 | 8.70 | 11.02 | 10.10 | 1,500,000 | 1,500,000 |
| (12 months TB (Gross) rate plus 50 basis points) | | | | | | | | | | | |
| Unsecured, redeemable, debentures | c | Annually | 01.11.2007 | 01.11.2012 | 8.77 | 8.69 | 8.70 | 11.01 | 10.10 | 500,000 | 500,000 |
| (12 months TB (Gross) rate plus 50 basis points) | | | | | | | | | | | |
| Unsecured, redeemable, debentures | c | Annually | 01.04.2008 | 01.04.2013 | 8.61 | 11.02 | 9.20 | 12.94 | 10.25 | 500,000 | 500,000 |
| (12 months TB (Gross) rate plus 50 basis points) | | | | | | | | | | | |

| Description | Note | Interest payable frequency | Issue date | Maturity date | Coupon rate | | Effective annual rate | | Interest rate of comparable Government security | Amount as at 31st December | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | 2011 | 2010 | 2011 | 2010 | | 2011 | 2010 |
| | | | | | % | % | % | % | % | Rs' 000 | Rs' 000 |
| Unsecured, redeemable, debentures | c | Annually | 01.04.2008 | 01.04.2013 | 8.61 | 11.02 | 9.20 | 12.94 | 10.25 | 1,500,000 | 1,500,000 |
| (12 months TB (Gross) rate plus 50 basis points) | | | | | | | | | | | |
| Unsecured, redeemable, debentures | c | Annually | 03.08.2010 | 03.08.2015 | 9.56 | 11.50 | 10.70 | 11.50 | 11.05 | 5,200,000 | 5,200,000 |
| (12 months TB (Gross) rate plus 150 basis points) | | | | | | | | | | | |
| Unsecured, redeemable, debentures | c | Annually | 03.08.2010 | 03.08.2015 | 9.56 | 11.50 | 10.70 | 11.50 | 11.05 | 1,750,000 | 1,750,000 |
| (12 months TB (Gross) rate plus 150 basis points) | | | | | | | | | | | |
| Unsecured, redeemable, debentures | c | Annually | 03.08.2010 | 03.08.2015 | 9.56 | 11.50 | 10.70 | 11.50 | 11.05 | 5,300,000 | 5,300,000 |
| (12 months TB (Gross) rate plus 150 basis points) | | | | | | | | | | | |
| | | | | | | | | | | 28,772,280 | 30,124,720 |
| **United States dollar debentures** | | | | | | | | | | | |
| **Fixed interest rate** | | | | | | | | | | | |
| Unsecured, subordinated, redeemable debentures | | Semi annually | 10.10.2008 | 10.10.2013 | 5.50 | 5.50 | 5.58 | 5.50 | 4.25 | 27,337 | 26,761 |
| **Floating interest rate** | | | | | | | | | | | |
| Unsecured, subordinated, redeemable debentures | d | Semi annually | 10.10.2008 | 10.10.2013 | 3.58 | 3.46 | 3.61 | 3.49 | 4.25 | 2,434,719 | 2,383,419 |
| (6 months LIBOR Plus 300 basis points) | | | | | | | | | | | |
| | | | | | | | | | | 2,462,056 | 2,410,180 |
| Total Debenture | | | | | | | | | | 41,365,832 | 38,706,348 |

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 2011.
2008/2013 - (Highest Price - Rs.100.10, Lowest Price - Rs.100.00, Last Transaction Price - Rs.100.00)
2010/2015 - (Highest Price - Rs.100.00, Lowest Price - Rs.90.50, Last Transaction Price - Rs.95.00)

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-2011 to 31-Dec-2011 Rs. | 01-Jan-2010 to 31-Dec-2010 Rs. |
|---|---|---|
| **BoC Debenture 2008/2013 ,** | | |
| Unsecured, Subordinated, Redeemable, 5 years, fixed rate (19.0%) | | |
| Highest (Rs.) | 100.10 | 107.00 |
| Lowest (Rs.) | 100.00 | 107.00 |
| Last transaction (Rs.) | 100.00 | 107.00 |
| Unsecured, Subordinated, Redeemable, 5 years, floating rate (06 months TB rate (Gross) plus 75 basis points ) | | |
| Highest (Rs.) | Not Traded | Not Traded |
| Lowest (Rs.) | Not Traded | Not Traded |
| Last transaction (Rs.) | Not Traded | Not Traded |
| Unsecured, Subordinated, Redeemable, 5 years, zero coupon | | |
| Highest (Rs.) | Not Traded | 135.11 |
| Lowest (Rs.) | Not Traded | 134.15 |
| Last transaction (Rs.) | Not Traded | 134.15 |
| **BoC Debenture 2010/2015 ,** | | |
| Unsecured, Subordinated, Redeemable, 5 years, fixed rate (11.5%) | | |
| Highest (Rs.) | 100.00 | Not Traded |
| Lowest (Rs.) | 90.50 | Not Traded |
| Last transaction (Rs.) | 95.00 | Not Traded |
| Unsecured, Subordinated, Redeemable, 5 years, floating rate (06 months TB rate (Gross) plus 75 basis points ) | | |
| Highest (Rs.) | Not Traded | Not Traded |
| Lowest (Rs.) | Not Traded | Not Traded |
| Last transaction (Rs.) | Not Traded | Not Traded |
| **BoC Debenture 2011/2016 ,** | | |
| Unsecured, Subordinated, Redeemable, 5 years, fixed rate (11.0%) | | |
| Highest (Rs.) | Not Traded | N/A |
| Lowest (Rs.) | Not Traded | N/A |
| Last transaction (Rs.) | Not Traded | N/A |
| Unsecured, Subordinated, Redeemable, 5 years, floating rate (06 months TB rate (Gross) plus 75 basis points ) | | |
| Highest (Rs.) | Not Traded | N/A |
| Lowest (Rs.) | Not Traded | N/A |
| Last transaction (Rs.) | Not Traded | N/A |
| Unsecured, Subordinated, Redeemable, 5 years, fixed rate (10.5%) | | |
| Highest (Rs.) | Not Traded | N/A |
| Lowest (Rs.) | Not Traded | N/A |
| Last transaction (Rs.) | Not Traded | N/A |

# Investor Information

## Yield of last trade done

| | 31-Dec-2011 % | 31-Dec-2010 % |
|---|---|---|
| **Interest yield as at date of last trade done** | | |
| **BoC Debenture 2008/2013 ,** | | |
| 5 years, fixed rate (19.0%) | 19.00 | 17.76 |
| 5 years, floating rate (06 months TB rate (Gross) plus 75 basis points ) | Not Traded | Not Traded |
| 5 years, zero coupon | Not Traded | 13.13 |
| **BoC Debenture 2010/2015 ,** | | |
| 5 years, fixed rate (11.5%) | 12.11 | Not Traded |
| 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 | N/A |
| 5 years, floating rate (06 months TB rate (Gross) plus 75 basis points ) | Not Traded | N/A |
| 5 years, fixed rate (10.5%) | Not Traded | N/A |
| **Yield to maturity of last trade done** | | |
| **BoC Debenture 2008/2013 ,** | | |
| 5 years, fixed rate (19.0%) | 19.00 | 16.36 |
| 5 years, floating rate (06 months TB rate (Gross) plus 75 basis points ) | Not Traded | Not Traded |
| 5 years, zero coupon | Not Traded | 15.57 |
| **BoC Debenture 2010/2015 ,** | | |
| 5 years, fixed rate (11.5%) | 13.33 | Not Traded |
| 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 | N/A |
| 5 years, floating rate (06 months TB rate (Gross) plus 75 basis points ) | Not Traded | N/A |
| 5 years, fixed rate (10.5%) | Not Traded | N/A |

## Share Information

| As at 31st December | 2011 | | 2010 | |
|---|---|---|---|---|
| **Shareholder** | **No. of Ordinary Shares** | **Holding %** | **No. of Ordinary Shares** | **Holding %** |
| Government of Sri Lanka | 5,000,000 | 100 | 5,000,000 | 100 |

# Ten Year Statistical Summary - Bank

Rs.Million

| For the year ended 31st December | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Operating results** | | | | | | | | | | |
| Income | 24,578 | 22,805 | 23,957 | 27,324 | 35,192 | 50,159 | 60,182 | 63,461 | 63,363 | 71,368 |
| Interest income | 20,258 | 17,040 | 16,609 | 20,595 | 26,823 | 42,286 | 49,684 | 53,077 | 50,843 | 60,745 |
| Interest expenses | (12,794) | (8,438) | (8,256) | (11,231) | (15,744) | (29,453) | (35,989) | (38,267) | (31,200) | (36,229) |
| Net interest income | 7,464 | 8,602 | 8,353 | 9,364 | 11,079 | 12,833 | 13,695 | 14,810 | 19,643 | 24,516 |
| Foreign exchange profit | 737 | 707 | 1,781 | 1,015 | 2,261 | 1,178 | 2,887 | 1,567 | 409 | 1,746 |
| Other income | 3,384 | 4,817 | 5,310 | 5,716 | 6,107 | 6,695 | 7,611 | 8,818 | 12,106 | 9,636 |
| Other operating expenses | (7,406) | (8,676) | (9,127) | (10,400) | (12,174) | (13,105) | (14,514) | (16,190) | (16,544) | (17,403) |
| Provision for loan losses and fall in value of investments & dealing securities | (2,941) | (3,012) | (2,886) | (1,659) | (1,369) | (1,210) | (2,375) | (1,802) | (1,560) | (434) |
| **Operating profit before VAT** | 1,238 | 2,438 | 3,431 | 4,036 | 5,904 | 6,391 | 7,304 | 7,203 | 14,054 | 18,061 |
| Value added tax on financial services | - | (638) | (872) | (916) | (1,767) | (1,873) | (2,073) | (2,995) | (4,001) | (2,515) |
| **Profit before taxation** | 1,238 | 1,800 | 2,559 | 3,120 | 4,137 | 4,518 | 5,231 | 4,208 | 10,053 | 15,546 |
| Income tax expense | (219) | (168) | (590) | (1,225) | (1,510) | (1,675) | (1,670) | (1,124) | (3,688) | (4,025) |
| **Profit after taxation** | 1,019 | 1,632 | 1,969 | 1,895 | 2,627 | 2,843 | 3,561 | 3,084 | 6,365 | 11,521 |

| As at 31st December | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | | | | |
| Cash and short term funds | 4,275 | 4,179 | 5,584 | 6,127 | 7,790 | 9,244 | 10,168 | 13,509 | 14,104 | 18,671 |
| Balances with Central Banks | 9,198 | 7,944 | 12,480 | 13,933 | 17,106 | 17,253 | 15,629 | 16,263 | 25,894 | 30,427 |
| Treasury bills, bonds and other eligible bills | 13,134 | 13,837 | 25,502 | 41,366 | 45,808 | 39,205 | 27,707 | 35,350 | 86,219 | 59,839 |
| Dealing securities | 503 | 1,411 | 507 | 54 | 1,180 | 3,184 | 144 | 1,828 | 3,232 | 3,574 |
| Placements with and loans to other banks | 13,494 | 26,412 | 27,362 | 36,851 | 23,735 | 19,722 | 16,403 | 45,867 | 42,680 | 14,545 |
| Treasury bonds maturing after one year | 10,955 | 16,554 | 15,334 | 9,882 | 24,263 | 27,337 | 38,834 | 46,910 | 51,297 | 32,093 |
| Bills of exchange & loans and advances | 115,255 | 114,287 | 131,096 | 165,668 | 222,971 | 278,619 | 265,256 | 260,857 | 368,494 | 529,195 |
| Lease rentals receivable | 276 | 406 | 579 | 936 | 1,991 | 5,877 | 5,849 | 4,209 | 4,228 | 14,457 |
| Government of Sri Lanka Restructuring Bonds | 17,883 | 17,883 | 17,883 | 17,883 | 8,547 | 8,547 | 8,547 | 8,547 | 8,547 | 8,546 |
| Investment securities | 16,593 | 10,227 | 6,493 | 2,787 | 2,380 | 2,362 | 69,681 | 75,845 | 80,643 | 83,321 |
| Investment properties | 754 | 1,150 | 1,150 | 1,236 | 1,088 | 559 | - | - | - | - |
| Investment in Subsidiaries and Associates | 2,831 | 4,008 | 4,984 | 4,225 | 3,711 | 3,650 | 3,603 | 4,037 | 6,124 | 7,084 |
| Other assets | 19,532 | 17,746 | 12,498 | 12,833 | 11,928 | 16,901 | 17,304 | 19,184 | 17,706 | 22,850 |
| Deferred tax assets | - | - | - | 704 | 236 | 60 | - | - | - | - |
| Property, plant and equipment | 3,192 | 4,344 | 4,947 | 4,769 | 5,145 | 4,982 | 5,018 | 5,724 | 5,622 | 10,595 |
| Intangible assets | | | | 467 | 420 | 399 | 233 | 111 | 164 | 343 |
| **Total assets** | 227,875 | 240,388 | 266,399 | 319,721 | 378,299 | 437,901 | 484,376 | 538,241 | 714,954 | 835,540 |
| **Liabilities** | | | | | | | | | | |
| Deposits from customers | 170,544 | 187,256 | 206,184 | 232,822 | 262,990 | 308,856 | 316,070 | 408,607 | 524,233 | 588,765 |
| Borrowed funds | 21,510 | 17,908 | 28,778 | 54,686 | 81,106 | 84,658 | 111,100 | 67,302 | 105,967 | 142,398 |
| Tax payable | 402 | 62 | 137 | 76 | 727 | 885 | 1,079 | 190 | 2,200 | 1,139 |
| Deferred tax liability | - | - | - | - | - | - | 506 | 409 | 458 | 1,107 |
| Other liabilities | 12,355 | 11,242 | 9,152 | 8,436 | 11,714 | 13,302 | 14,531 | 18,789 | 15,258 | 20,602 |
| Debentures | 11,225 | 9,600 | 6,800 | 7,350 | 3,850 | 9,150 | 17,988 | 18,045 | 38,706 | 41,366 |
| **Total liabilities** | 216,036 | 226,068 | 251,051 | 303,370 | 360,387 | 416,851 | 461,274 | 513,342 | 686,822 | 795,377 |

# Ten Year Statistical Summary - Bank

Rs.Million

| As at31st December | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Shareholders' equity** | | | | | | | | | | |
| Stated capital | 2,600 | 2,600 | 2,600 | 4,000 | 4,000 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 |
| Permanent reserve fund | 1,430 | 1,465 | 1,505 | 1,915 | 2,455 | 2,515 | 2,585 | 2,650 | 2,777 | 3,008 |
| Retained profits | 7,173 | 8,097 | 9,034 | 9,475 | 10,298 | 12,161 | 14,335 | 15,820 | 18,713 | 24,592 |
| Reserves | 636 | 2,158 | 2,209 | 961 | 1,159 | 1,374 | 1,182 | 1,429 | 1,642 | 7,563 |
| **Total shareholders' equity** | 11,839 | 14,320 | 15,348 | 16,351 | 17,912 | 21,050 | 23,102 | 24,899 | 28,132 | 40,163 |
| **Total equity and liabilities** | 227,875 | 240,388 | 266,399 | 319,721 | 378,299 | 437,901 | 484,376 | 538,241 | 714,954 | 835,540 |
| **Commitments and contingencies** | 62,996 | 50,087 | 58,841 | 80,187 | 105,502 | 134,713 | 164,813 | 246,245 | 223,165 | 314,009 |
| **Ratios** | | | | | | | | | | |
| Return on average assets (%) | 0.53 | 0.77 | 1.01 | 1.06 | 1.19 | 1.11 | 1.13 | 0.82 | 1.60 | 2.01 |
| Return on average shareholders' funds (%) | | | | | | | | | | |
| - after tax | 8.83 | 12.48 | 13.28 | 11.96 | 15.33 | 14.59 | 16.13 | 12.85 | 24.01 | 33.74 |
| Income growth (%) | (13.49) | (7.21) | 5.05 | 14.05 | 28.80 | 42.53 | 19.98 | 5.45 | (0.16) | 12.63 |
| Capital adequacy ratio (%) | | | | | | | | | | |
| - Tier I | 11.64 | 12.11 | 12.33 | 12.67 | 11.90 | 11.38 | 11.29 | 11.22 | 10.30 | 8.52 |
| - Tier I + Tier II | 12.44 | 13.11 | 12.44 | 13.18 | 12.30 | 11.40 | 15.88 | 14.16 | 13.73 | 11.64 |
| Capital funds to liabilities including contingent liabilities (%) | 4.24 | 5.19 | 4.95 | 4.26 | 3.84 | 3.82 | 3.69 | 3.28 | 3.09 | 3.62 |
| Liquidity ratio (%) | 34.19 | 25.34 | 23.82 | 26.87 | 22.19 | 21.20 | 24.21 | 21.13 | 28.65 | 23.36 |
| Cost to income ratio (%) | 66.21 | 68.77 | 61.76 | 72.63 | 68.93 | 67.48 | 64.24 | 68.33 | 53.73 | 50.85 |
| **Other information** | | | | | | | | | | |
| No of employees | 9,268 | 8,927 | 8,718 | 8,891 | 8,363 | 8,253 | 7,912 | 7,538 | 8,204 | 8,115 |
| No of branches | 297 | 299 | 300 | 304 | 305 | 307 | 309 | 310 | 309 | 318 |
| No of ATMs | 79 | 85 | 104 | 104 | 190 | 203 | 251 | 329 | 352 | 404 |
| No of advances (in 000) | 796 | 1,061 | 1,218 | 1,285 | 1,541 | 1,867 | 1,839 | 2,011 | 2,261 | 2,837 |
| No of depositors (in 000) | 5,089 | 5,274 | 5,491 | 5,782 | 6,248 | 6,993 | 7,494 | 8,440 | 9,321 | 10,179 |
| Cashflow from operating activities | 16,396 | 18,187 | 1,374 | (8,961) | (24,200) | (13,713) | 30,262 | 100,115 | 10,271 | (89,978) |
| Cashflow from investing activities | 197 | 1,238 | 5,575 | (6,315) | (8,998) | 3,034 | (67,091) | (20,775) | (59,418) | 42,335 |
| Cashflow from financing activities | (5,175) | (5,901) | 7,070 | 25,309 | 21,746 | 8,120 | 34,433 | (45,144) | 46,554 | 24,075 |
| Capital expenditure on purchase of property plant & equipment | (322) | (519) | (911) | (927) | (912) | (544) | (647) | (1,446) | (1,168) | (1,360) |

**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. 49 to the Financial Statements, except for the transactions engaged with the Government of Sri Lanka.

The Government of Sri Lanka, who holds 100% shareholding in Bank of Ceylon, carries 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

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.

5. Deposits made by the Government Departments 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. 49.4 to the Financial Statements.

**As per the Note no. 49 – "Related Party Disclosures", total of the transactions with all the other entities have been exceeded 10% of the equity. This is mainly due to the inclusion of two State Owned Enterprises namely, Sri Lankan Airlines and Sri Lanka Ports Authority as other related entities. However, the transactions with each entity have not been exceeded the limits mentioned above.

# LOCAL CURRENCY DEPOSITS

## Current Accounts

### Normal Current Account

Current accounts for general & business purposes
Convenient financial operations through online banking

### Prestige Current Account

Professionals' Current account
Personalised cheque books
Visa Electron Debit Card with a withdrawal limit of Rs.100,000
BoC Credit Card

## Saving Accounts

### Normal Savings Account

General purpose savings account
Visa Electron Card
POS services via Debit Card,
SMS & Internet banking facility

### Ran Kekulu

Childrens' Savings Account for minors below 18 years
Higher interest rate
Scholarships for grade 5 scholarship winners
Special free insurance cover for child and on behalf of guardian
Many more benefits

### 14+ Teen Savings

Unique savings scheme ideal for teenagers which could be operated by themselves
VISA Electron Card

### 18+ Youth Savings

Youth Savings Account for youngsters between 18 & 25 years of age
Free life insurance cover
Gold coin gifted on the wedding and a RanKekulu Accounts for the first baby
scholarships for higher education

### Kantha Ran Ginum

Special savings account for female
Higher interest rate
Free insurance cover
Loans facilities at special interest rate

### Senior Citizens Savings

Account for Senior Citizens above 55 years
Higher interest rate
Prioritised services

## Special Purpose Accounts

### Ran Govi Thenpathu

Account for Farmers
Inculcate savings habits among farmer community

### Ranaviru Ran Ginum

Account for war heroes who serve in armed forces
Higher interest rate
VISA Electron Card

### Samurdhi Savings

Special account for Samurdhi beneficiaries
Encourage savings habits for the low income group
Higher interest rate

### Dheevara Thenpathu

Special account for fishing community
Support the fishing community to improve their savings habits

## Maturity Deposits

### Normal Fixed Deposits

General purpose fixed deposits account
Most convenient investment opportunity for a stable future

### 7 Day Call Deposits

Convenient short-term investment for a better return

### Savings Certificates

Ideal short-term investment
Interest paid upfront

### Senior Citizens Fixed Deposits

For senior citizens of 55 years of and above
Most convenient investment opportunity for stable future.

## Other Deposits

### BoC Smart Saver

Long term investment product with higher interest rate

### BoC Smart Investor

Investment plan of 2 to 3 years with higher interest rate.

### BoC Infinity

Fixed pension plan for regular income earners over 18 years of age

### BoC Vishrama

Flexible pension plan for seasonal income generators for anyone over 18 years

### Non Resident Rupee Account

Rupee Current/Saving/Fixed Deposit accounts for non resident Sri Lankans, foreign nationals & companies
A greater opportunity for those who earn in foreign currency to open up accounts in Sri Lankan Rupees & transact conveniently

### Rupee Account for Non-Resident Sri Lankan Investors (RANSI)

Rupee account specially designed for non resident Sri Lankans over 18 years of age
Invest in capital market securities & real assets via RANSI. Outward remittances & other local disbursements are permitted

### Securities Investment Account (SIA)

Investment account for foreign institutional investors, foreign citizens & non resident Sri Lankans.
A greater investment opportunity to invest in government securities & equity capital of companies in Sri Lanka.

# FOREIGN CURRENCY DEPOSITS

### NRFC Savings and Fixed Deposits

Foreign currency accounts for Sri Lankans working abroad & foreign nationals of Sri Lankan origin. Save in foreign currency & enjoy a wider range of benefits such as free Life insurance coverage Loan/Overdraft facilities

# & Services

### Ran Kekulu Foreign Currency

Minor foreign currency account for children below 18 years of age whose parents employed abroad. Build up savings in foreign currency to secure the child's future.

### RFC Savings and Fixed Deposits

Foreign currency account for resident Sri Lankan nationals & non nationals who earn in foreign currencies.
Saving opportunity in foreign currency for residents in Sri Lanka

### Dual Citizenship Foreign Currency Fixed Deposits

Fixed deposit account for Ex - Sri Lankans/ Sri Lankans living abroad & would apply for dual citizenship.
For reduction in dual citizenship fee as required by controller of Immigration & Emigration

### Foreign Currency Account for Professional Service Providers (FCAPS)

Accounts for professional service providers resident in Sri Lanka, who earn in foreign currencies.

### Foreign Currency Current Account

Deposit Accounts for Non Nationals residing in Sri Lanka temporarily or permanently.

### Exporters Foreign Currency Account (EFC)

For exporters of goods & services (Company, Firms, Individuals).
Specially designed to cater the export businessmen with more benefits added on

### Special Foreign Investment Deposit Account (SFIDA)

Deposit Accounts for foreign institutional investors, foreign citizens & non resident Sri Lankans.
Outward remittances are permitted.
Opportunity to invest in bulk & enjoy the relaxation of exchange regulations.

### Senior FIDA

Deposit accounts for foreign nationals above 55 years of age.
Secure the retired life with savings in foreign currency

### Gem & Jewellery - Foreign currency account

For merchants in the gem & jewellery industry.
Extended features to suit business requirements

### Outword Investment Account (OIA)

Foreign currency savings accounts for resident investors.
Opportunity for resident investors to invest in foreign currency.

## ADVANCES

### Overdraft Facilities

#### Permanent Overdrafts

Ideal mean of short term financing for current account holders.

#### Export Packing Credit Overdrafts

For customers engaged in export business
Pre-shipment financing for export business requirements

#### Ran Surekum Overdrafts

Bank Customer having a Current Account
Convenient solution for urgent cash requirements against gold pawned for bank's current account holders.

#### Temporary Overdrafts

Suit to meet urgent cash requirements for Current account holders.

### Housing Loans

#### Rannivasa

Special Housing Loan Scheme for meet the housing needs of customers

#### BoC Sarani

Special Housing loan scheme for NRFC account holders.
Financial solution for all house construction, renovation, purchase activities

#### Government Housing Loan Scheme

Special Housing loan scheme for Government servants
Funding for purchase of a land house or apartments construction of a house, house improvements/additions for either house property or condominium apartments at reduced interest rates

#### BoC Housing Loan Scheme

Open scheme for anyone over 18 years of age who wish to build up a house of their own.
General housing loan scheme for all your financial needs with relation to house construction, renovation & purchase activities.

### Ransurekum Naya Seva

Granting short-term period loan against gold and jewellery offer more personalised service.

### Development Lending

#### New Comprehensive Rural Credit Scheme (NCRCS)

Provision of the working capital requirement of small farmers.
Financial assistance for the production of seeds & plant material purchase of agricultural commodities etc.

#### Kantha Ran Diriya

Special scheme for women entrepreneurs
Financial assistance to commence small & micro enterprises

#### Small Enterprise Development (SED)

Financial assistance to commence small & micro enterprises

# Products & Services

Play Your Cards

## Sookshama (Micro) Credit Scheme

Financial assistance for individuals who have the skill & experience to commence a viable enterprise
Support to commence or improve any income generating micro enterprise, specially home based enterprises

## Poverty Alleviation Microfinance Project Credit Scheme

Grant in economically under developed areas & to low-income generating families
Provide capital requirements at a lower rate focus on economic & social development

## Saubagya

Self Employment Promotion Loan Scheme
The Prosperity Loan Scheme to create self employment opportunities for the distressed people in Sri Lanka

## Credit Scheme for Low Income Earning People

Provide credit facilities to rural sector with special emphasis
Encourage them for self employment, Horticulture & any income generating activity with family members

## Bhagya

Community Development Loan Scheme
Provide loan facilities for the income generating small scale activities of the small groups at village level

## Self Employment Promotion Initiative Loan Scheme (SEPI)

Financial facilities for the youth who complete the education from a recognised Vocational Training Institute
Support for the commencement of self employment projects

## Small Holder Plantation Entrepreneurship Development Programme(SPEnDP)

Targeted at low income generating small business community & for those who are living below the poverty line
Provide finance to low income generating small businesses & thereby improve the standard of living

## Provincial Development Credit Scheme

Designed for Individuals, Joint ventures & Companies
Provide credit facilities to cater the capital needs among small & medium scale entrepreneurs

## Estate Sector Self-Employment Revolving Fund Credit Scheme

These facilities are granted with the aim of uplifting living standard of non banking low income groups.
Groups are formated in rural areas & facilities are granted to the group at a lower interest rate.
Training & Advisory services are also provided for business development. Inculcate banking habits among the group.

## Govi Shakthi Credit Scheme

Financial assistance for farmers
Facilities for the purchase of agriculture equipment etc. & construction of small paddy stores

## Siriliya Saviya Credit Scheme

Speed loan scheme for women to finance income generating projects.

## Diyawara Diriya

Financial assistance for individuals, Group members & registered companies
Facilities granted for the development of the Fishing Industry

## Aquatic Resources Development Quality Improvement Project Credit Scheme (ARDQIP)

For small proprietorships, partnerships, limited liability companies in the industry
Financial assistance to support or upgrade inland fisheries & Aqua culture projects

## Kapruka

Coconut Development Loan Scheme
Reduced interest rates focus on increase coconut production & enhance productivity

## Viskam

Facilities granted to individual business, group business & registered companies
Credit line for the development of commercialised agribusiness

## Tea Development Project Revolving Funds Credit Scheme (TDPRFCS)

Granted to individuals, group of individuals or registered companies in the industry
Financial assistance for purchasing of transport vehicles & development of tea lands

## Agro Livestock Development Loan Scheme

Granted to milk producers & all parities in the agricultural sector
Granted at reduced rates assist to commence & improve agro based industries

## Second Perennial Crops Development Project Revolving Fund Credit Scheme

Funding for the commercialisation of Perennial Crop sector
Financial support to increase production & post-harvest handling & processing activities

Credit scheme for Paddy Purchasing

Provide credit facilities for farmers & village level small scale paddy collectors
Granted at reduced rates to store their paddy harvest & marketing

Motor Cycles for Employees of Government

Motor cycle loan scheme to purchase TVS Motor cycles

Three wheel auto rickshaws loan scheme

Credit Scheme for the Purchase of Bicycle

Motor Vehicle Loan Scheme

Loan Scheme for Importation of Motor Vehicle

Motor Vehicles for Provincial Council Members

## Small & Medium Enterprises (SME)

Technical Transfer Assistance Scheme (TTAS) under SMILE III

TTAS under E-Friends II

Small & Medium Enterprises Development loans

Finance scheme facilities granted for small & medium enterprises
Provide short & long term financial support for domestic SMEs' to adopt new technologies & business processes & thereby enhancing private sector share in economic development

## Education

BoC comprehensive educational loan scheme

BoC Personal Computer Loan Scheme

Purchase of computer and accessories including e-mail and Internet

Educational loan scheme for Students of Institute of Bankers of Sri Lanka

Special Loan Scheme for the University Students

## Special loan schemes for

Professionals

Professionals in the Judicial service, Doctors, Surveyors, Engineers etc.

Government Employees

Permanent employees of Government Departments, Corporations, Statutory Bodies etc.

Special Personal Loan scheme for BoC customers for pilgrimage and holiday tours

The members of the Federation of Self Employees, who are engaged as Traders of FOSE market.

The Academic Staff of Sri Lanka Institute of Information Technology (SLIIT)

## Credit Facilities - Importers

Issuance of LCs

Pledge Loans

Hypothecation Loans

Trust Receipt Loans

Series of Loans

Shipping Guarantee

Handling of Collection Bills

Foreign Currency Loans

Bridging Loans

## Credit Facilities - Exporters

Packing Credit Overdrafts/ Loans

Letters of Credit

Adding Confirmations

Negotiation of LC Bills

Purchasing of Export Bills (DP/ DA)

Collection of Bills

Handling of Duty Rebates

Forward Exchange Contracts

Obtaining Status Reports

Advisory Services

## Other Credit Facilities

Letters of Guarantee

Credit Purchase Guarantee
Bid Guarantee (Bid Bond)
Performance Guarantee (Performance Bond)
Advance Payment Guarantee
Retention Money Guarantee (Retention Money Bond)
Customs Duty Guarantee (Customer Duty Bonds)
Shipping Guarantee

# Products & Services

## Lease Financing

BoC Leasing Scheme
Flexible services, ability to obtain leasing facilities even without a guarantor.
Special Leasing Schemes for vehicles
Leasing scheme for members of federation of self employees
Leasing scheme for Samurdhi entrepreneurs

## CREDIT CARDS

Visa Credit Card - International
Visa Platinum Smart Card (BoC Black Card)
Master Credit Card
Flexi Card - Flexibility Unmatched

Credit card against Fixed Deposit
Visa Electron Debit Card

## ISLAMIC BANKING PRODUCTS (Shari'ah Compliant Banking)

### Deposits

BoC An-noor Current Account
An-noor Ordinary Savings
An-noor Children's Savings ('Afthal')

### Loans

Term Loan ('Murabaha')
An-noor 'Wakala'
Local Murabaha (Pledge Facilities)
An-noor Trade Finance

### Leasing

An-noor Leasing ('Ijarah')
Ijara (Leasing) US$ based

### Foreign Currency

An-noor NRFC Savings Account
BoC Foreign Currency Savings
An-noor NRFC Athfal Account (Children)

## SPECIAL SERVICES

Cash Services
ATM Services
Cheque Encashment
SLT Direct Debit
Foreign Currency
Bureau de Exchange
Traveller's Cheques

Funds Transfer
Inter-Branch Money Transfers
Funds Trasfering facility
SWIFT
SLIPS
Telegraphic Transfers
Mail Transfers
RTGS Fund Transfer
e-Cash
Inward Remittance Service (MoneyGram, Ez remit, Coin Star, Telemoney)
Xpress Money
Inward Remittance Service
Issuing and End-cashing Foreign Drafts

## VALUE-ADDED SERVICES

Gold Shop
Safe Custody Vault
Insurance Desk
Left Handers' Cheque Book
Ran Kekulu Gift Vouchers
Money & Banking Museum
Small Entrepreneur Consultancy
Trade Information and Help Desk
e-Channelling
Ran Kekulu Sansada
School Savings Units

## OTHER SERVICES

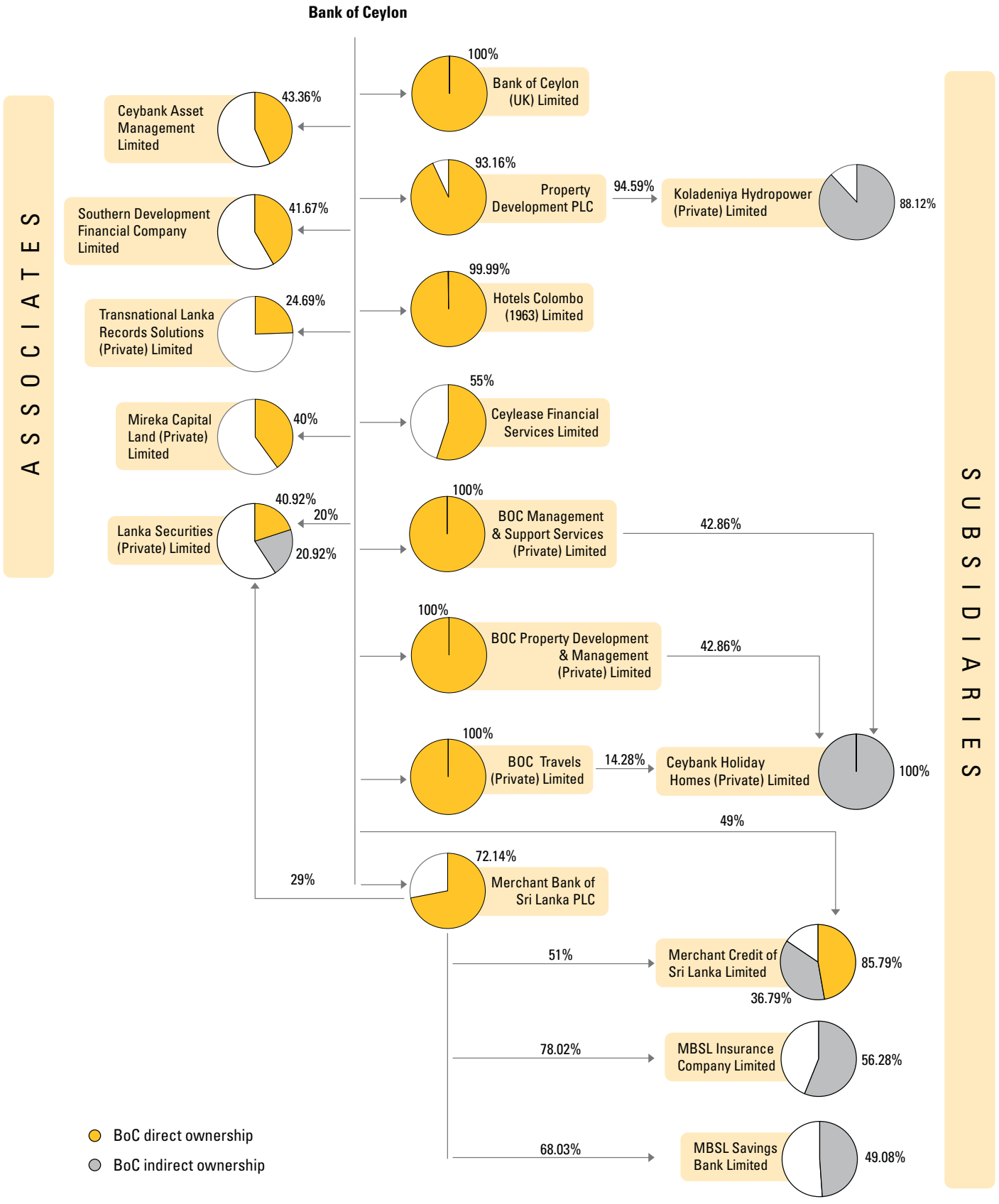
SMS Banking (Pay Mate)
- paying utility bills and inquiry of balances etc. via SMS.

Internet Banking
- paying utility bills and other services via Internet

Payment Facilities with
- Customs
- Share Trading
- Lake house advertisements
- JETLine Direct Payments

Encashment Facilities

# Group Structure



# Subsidiaries & Associates

| | Principal activities | Bank's interest | Directors* | Highlights | 2011 Rs. Mn | 2010 Rs. Mn |
|---|---|---|---|---|---|---|
| **Subsidiary companies** | | | | | | |
| Property Development PLC<br>19th Floor,<br>BoC Head Office Building,<br>"BOC Square", No. 01,<br>Bank of Ceylon Mawatha,<br>Colombo 01<br>Tel : 011 2544328<br>011 2326922<br>011 2448549<br>Fax : 011 2544329<br>e-mail : pdlhrm@sltnet.lk | Maintain and manage the Bank of Ceylon Headquarters Building, which the Company has rented out to the Bank of Ceylon. | 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>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 (Rs) | 660.0<br>2,409.2<br>367.0<br>415.3<br>308.1<br>4.67 | 660.0<br>2,256.3<br>390.2<br>404.0<br>252.9<br>3.8 |
| Merchant Bank of Sri Lanka PLC<br>BoC Merchant Tower,<br>No. 28, St. Michael's Road,<br>Colombo 03<br>Tel : 011 4711711<br>011 2565636<br>Fax : 011 2565666<br>e-mail : mbslbank@mbslbank.com<br>Website : www.mbslbank.com | Leasing and hire purchase, trade financing, corporate advisory services, capital market activities and secretarial services | 72.14% | Mr. M R Shah (Chairman)<br>Mr. V Kanagasabapathy<br>Ms. W A Nalani<br>Dr. R W T M Ranjith Bandara<br>Mr. Lakshman Perera<br>Mr. A B L A de Silva<br>Mr. P G Rupasinghe<br>Mr. M S S Paramananda<br>Secretary :<br>Ms. Marina Pillips | Stated capital<br>Total assets<br>Total liabilities<br>Profit before tax<br>Profit after tax<br>EPS (Rs) | 1,607.0<br>9,936.0<br>7,093.2<br>443.4<br>332.4<br>2.5 | 1,607.0<br>7,182.6<br>4,503.4<br>650.7<br>449.7<br>3.3 |
| BOC Management & Support Services (Private) Limited<br>25th Floor,<br>BoC Head Office Building,<br>"BOC Square", No. 01,<br>Bank of Ceylon Mawatha, Colombo 01<br>Tel : 011 2446790 | Provides management services | 100% | Ms. W A Nalani (Chairman)<br>Mr. K Dharmasiri<br>Ms. L S L de S Wijeyeratne<br>Secretaries :<br>Merchant Bank of Sri Lanka PLC<br>Ms. Janaki Senanayake Siriwardane | Stated capital<br>Total assets<br>Total liabilities<br>Profit before tax<br>Profit after tax<br>EPS (Rs) | 1.0<br>8.5<br>0.8<br>0.4<br>0.4<br>0.4 | 1.0<br>8.4<br>1.0<br>0.5<br>0.4<br>0.4 |
| BOC Property Development & Management (Private) Limited<br>19th Floor,<br>BoC Head Office Building,<br>"BOC Square", No. 01,<br>Bank of Ceylon Mawatha, Colombo 01<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% | Ms. W A Nalani (Chairman)<br>Ms. S H Ranawaka<br>Mr. P J Jayasinghe<br>Mr. K Dharmasiri (Alternate Director to Ms. W A Nalani)<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 (Rs) | 1,010.0<br>1,032.1<br>28.3<br>82.7<br>90.5<br>0.1 | 1,010.0<br>951.5<br>38.3<br>58.6<br>32.6<br>0.0 |

* As at 31. 12. 2011

| | Principal activities | Bank's interest | Directors* | Highlights | 2011 Rs. Mn | 2010 Rs. Mn |
|---|---|---|---|---|---|---|
| **BOC Travels (Private) Limited**<br>1st Floor,<br>BoC Super Grade Branch Building,<br>Baseline Road,<br>Colombo 08<br>Tel : 011 2688154-8<br>Fax : 011 2688175<br>e-mail : ceybank@eureka.lk<br>Website : www.boctravels.com | Carring 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>Ms. W A Nalani<br>Ms. Deepa Wanniaratchi<br>Mr. D N L Fernando<br>Mr. C Wijayatilake<br>Mr. K Dharmasiri (Alternate Director to Ms. W A Nalani)<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 (Rs) | 2.5<br>137.3<br>45.8<br>30.0<br>26.0<br>104.1 | 2.5<br>116.5<br>46.5<br>22.1<br>18.2<br>72.9 |
| **Hotels Colombo (1963) Limited**<br>No.02, York Street,<br>Colombo 01<br>Tel : 011 2320391-3<br>011 2320320<br>Fax : 011 2447640<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>Ms. W A Nalani<br>Mr. M K Nandasiri<br>Ms. W K I Kularatne<br>Mr. M P R Kumara<br>Mr. C D K Walisundara<br>Mr. J C Ratwatte<br>Mr. K Dharmasiri (Alternate Director to Ms. W A Nalani)<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 (Rs) | 100.8<br>213.6<br>74.1<br>40.7<br>33.3<br>33.0 | 100.8<br>199.9<br>65.5<br>40.0<br>37.0<br>40.7 |
| **Merchant Credit of Sri Lanka Limited**<br>11th Floor, BoC Merchant Tower,<br>No. 28, St. Michael's Road,<br>Colombo 03<br>Tel : 011 2301500 -3<br>Fax : 011 4627850<br>e-mail : mcsl@mcsl.lk<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. H M A B Weerasekara<br>Dr. R W T M Ranjith Bandara<br>Dr. S T S de Silva<br>Mr. M R Shah<br>Ms. C K Jayaratne<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 (Rs) | 100.0<br>5,979.9<br>5,385.7<br>149.7<br>120.4<br>12.0 | 100.0<br>4,503.1<br>4,009.3<br>139.1<br>111.9<br>11.0 |

* As at 31. 12. 2011

# Subsidiaries & Associates

| | Principal activities | Bank's interest | Directors* | Highlights | 2011 Rs. Mn | 2010 Rs. Mn |
|---|---|---|---|---|---|---|
| **Ceylease Financial Services Limited**<br>No. 182, Platinum Tower,<br>Elvitigala Mawatha,<br>Colombo 08<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, loan facilities, and real estate development and sale and pawning. | 55.00% | Mr. Raju Sivaraman (Chairman)<br>Mr. W A Asoka Rupasinghe<br>Ms. K A D 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>(Alternative 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 (Rs) | 200.0<br>1,578.8<br>1,338.4<br>54.2<br>38.7<br>1.9 | 200.0<br>1,534.5<br>1,321.8<br>18.3<br>15.7<br>0.8 |
| **Ceybank Holiday Homes (Private) Limited**<br>12th Floor,<br>BoC Head office Building,<br>"BOC Square", No. 01,<br>Bank of Ceylon Mawatha,<br>Colombo 01<br>Tel : 011 2447845<br>011 2204103-4<br>Fax : 011 2447845<br>e-mail : ceybankhh@gmail.com | Operating of Pilgrims, Rests, Holiday Homes and Guest Houses. | 100% | Dr. Gamini Wickramasinghe (Chairman)<br>Ms. W A Nalani<br>Mr C Samarasinghe<br>Mr. D M Gunasekara<br>Mr. P A Lionel<br>Ms. K A D A Pemadasa<br>Mr. W G Ariyaratne<br>Mr. K Dharmasiri<br>(Alternate Director to Ms. W A Nalani)<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 (Rs) | -<br>17.3<br>13.4<br>2.0<br>1.7<br>24,756.33 | -<br>14.6<br>12.3<br>2.0<br>1.1<br>16,169.7 |
| **MBSL Insurance Company Limited**<br>No. 388,<br>Galle Road,<br>Colombo 03.<br>Tel : 011 2574500<br>Fax : 011 2574499<br>e-mail : info@mbslinsurance.lk<br>Website : www.mbslinsurance.lk | Underwriting of all classes of General Insurance and Life Insurance. | 56.28% | Mr. M R Shah (Chairman)<br>Mr. Lakshman Perera<br>Mr. P G Rupasinghe<br>Mr. A P G Karunathilake<br>Dr. R W T M Ranjith Bandara<br>Mr. P S K L Gajanayake<br>Mr. S G S Senerath<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 (Rs) | 779.5<br>1,003.6<br>608.2<br>7.2<br>3.9<br>0.0 | 528.5<br>632.4<br>492.0<br>10.0<br>4.5<br>0.0 |

* As at 31. 12. 2011

| | Principal activities | Bank's interest | Directors* | Highlights | 2011 Rs. Mn | 2010 Rs. Mn |
|---|---|---|---|---|---|---|
| MBSL Savings Bank Limited<br>No.02, Deal Place,<br>Colombo 03.<br>Tel : 011 2374000<br>Fax : 011 2374044<br>e-mail : savingsbank@mbslsavingsbank.com<br>Website : www.mbslsavingsbank.com | Accepting deposits, granting term and mortgage loans, lease financing , hire purchase financing, pawning and etc…. | 49.08% | Mr. M R Shah (Chairman)<br>Mr. A P G Karunathilake<br>Dr. T Senthilverl<br>Mr. B R S T Edirisinghe<br>Dr. R W T M Ranjith Bandara<br>Mr. P G Rupasinghe<br>Mr. M S S Paramananda<br>Dr. S T S de Silva<br>Capt. N Balasingam<br>Mr. K D A Fernando<br>(Alternate Director to Cap. N Balasingam)<br>Secretary :<br>Mr. A V C Fernando | Stated capital<br>Total assets<br>Total liabilities<br>Profit before tax<br>Profit after tax<br>EPS (Rs) | 728.7<br>2,708.6<br>2,544.1<br>(49.1)<br>(49.1)<br>- | 728.7<br>2,449.6<br>2,235.9<br>(20.9)<br>(20.9)<br>- |
| Koladeniya Hydropower (Private) Limited<br>19th Floor, BoC Head Office Building,<br>"BOC Square", No. 01,<br>Bank of Ceylon Mawatha,<br>Colombo 01<br>Tel : 011 2544328<br>Fax : 0112544329<br>e-mail : pdlceo@sltnet.lk | Hydropower generation | 88.12% | Dr. Gamini Wickramasinghe (Chairman)<br>Dr. M S Perera<br>Mr. Sunil E de Silva<br>Mr. M W V Suranga<br>Mr. U J Jayatissa<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 (Rs) | -<br>260.6<br>263.1<br>(1.4)<br>(1.4)<br>- | -<br>4.1<br>5.3<br>(1.2)<br>(1.2)<br>- |
| Bank of Ceylon (UK) Limited<br>No.01, Devonshire Square,<br>London EC 2M 4WD<br>United Kingdom<br>Tel : +44 207 3771 888<br>Fax : +44 207 3775 430<br>e-mail : bankofceylon.uk@btclick.com | Provides financial services including deposit taking and dealing in investments | 100% | Dr. Gamini Wickramasinghe (Chairman)<br>Ms. W A Nalani<br>Mr. K B S Bandara<br>Mr. D S Muthukudaarachchi<br>Mr. W D R Swanney<br>Mr. R England<br>Secretary :<br>Mr. D S Muthukudarachchi | Stated capital<br>Total assets<br>Total liabilities<br>Profit before tax<br>Profit after tax<br>EPS (Rs) | 2,087.2<br>13,180.5<br>11,129.2<br>(69.7)<br>(78.5)<br>- | 2,087.2<br>22,824.1<br>20,734.4<br>2.4<br>3.1<br>1.5 |

* As at 31. 12. 2011

# Subsidiaries & Associates

| | Principal activities | Bank's interest | Directors* | Highlights | 2011 Rs. Mn | 2010 Rs. Mn |
|---|---|---|---|---|---|---|
| **Associate companies** | | | | | | |
| Ceybank Asset Management Limited<br>3rd Floor, BoC Building,<br>York Street,<br>Colombo 01<br>Tel : 011 7602000-2<br>Fax : 011 2448404<br>e-mail : ceybank@slt.lk | Management of unit trust funds & other private portfolios. | 43.36% | Mr. K L Hewage (Chairman)<br>Mr. M Selvanathan<br>Mr. C Sathkumara<br>Ms. W A Nalani<br>Mr. D M Gunasekara<br>Shri. B Babu Rao<br>Mr. M S P R Perera<br>Mr. A M M de Alwis<br>Mr. K Dharmasiri<br>(Alternate Director to<br>Ms. W A Nalani)<br>Mr. D C R Gunawardena<br>(Alternate Director to<br>Mr. M Selvanathan)<br>Mr. U D Liyanagamage<br>(Alternate Director to<br>Mr. A M M de Alwis)<br><br>Secretaries :<br>Carsons Management<br>Services (Private) Limited | Stated capital<br>Total assets<br>Total liabilities<br>Profit before tax<br>Profit after tax<br>EPS (Rs) | 37.6<br>277.4<br>71.45<br>110.5<br>75.3<br>2.0 | 37.6<br>246.3<br>104.3<br>53.1<br>28.9<br>0.8 |
| Southern Development Financial Company Limited<br>No. 18, Bandarawatta,<br>Pamburana,<br>Matara<br>Tel : 041 2221618 | Granting loan facilities | 41.67% | Mr. A P S R Gunasekara<br>(Chairman)<br>Mr. R Ranathunga<br>Mr. D K N Piyasoma<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 (Rs) | 60.0<br>38.9<br>36.9<br>2.6<br>2.6<br>- | 60.0<br>37.9<br>38.4<br>(1.1)<br>(1.1)<br>- |
| Lanka Securities (Private) Limited<br>No.228/2,<br>Galle Road,<br>Colombo 04<br>Tel : 011 4706757<br>011 2554942<br>Fax : 011 4706767<br>e-mail : secretary@lankasec.com<br>Website : www.lsl.lk | Equity trading, debt trading and placements. | 40.92% | Ms. A A Taseer (Chairperson)<br>Mr. M Eshan ul-Haq<br>Mr. A P G Karunathilake<br>Mr. K Dharmasiri<br>Mr. Farooq Bin Habib<br>Mr. K U D Gamage<br>Mr. M R Shah<br>Mr. H U Rehman<br>(Alternate to<br>Mr. M Eshan ul-Haq)<br>Mr. S A N Zaidi<br>(Alternate to<br>Mr. Farooq Bin Habib)<br><br>Secretaries :<br>Merchant Bank of<br>Sri Lanka PLC | Stated capital<br>Total assets<br>Total liabilities<br>Profit before tax<br>Profit after tax<br>EPS (Rs) | 279.6<br>711.4<br>253.5<br>207.8<br>154.7<br>8.9 | 279.6<br>705.9<br>286.5<br>285.0<br>186.1<br>10.7 |

* As at 31. 12. 2011

| | Principal activities | Bank's interest | Directors* | Highlights | 2011 Rs. Mn | 2010 Rs. Mn |
|---|---|---|---|---|---|---|
| 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. | 40.0% | Mr. S P Tao (Chairman)<br>Mr. H Z Cassim<br>Dr. Gamini Wickramasinghe<br>Mr. W P R P H Fonseka<br>Mr. A M de S Jayaratne<br>Mr. L R de Lanerolle<br>Mr. H S Jayawardene<br>Ms. M T Ong<br>Mr. E P Ong<br>(Alternate to Mr. S P Tao)<br>Ms. B C D Wijekulasuriya<br>(Alternate Director to<br>Dr. Gamini Wickramasinghe)<br>Mr. T Mutugala<br>(Alternate Director to<br>Mr. W P R P H Fonseka)<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 (Rs) | 1,875.0<br>5,911.4<br>3,503.6<br>165.7<br>150.1<br>0.80 | 1,875.0<br>5,555.9<br>3,298.1<br>182.4<br>176.8<br>0.94 |
| Transnational Lanka Records Solutions (Private) Limited<br>No. 160/16,<br>Kirimandala Mawatha,<br>Narahenpita,<br>Colombo 05<br>Tel : 011 2369007<br>011 2369001-4<br>Fax : 011 4514588<br>e-mail : tlrs@prontolanka.com<br>Website : www.transnational-grp.com | Renting properties & real state | 24.69% | Mr. C Samarasinghe<br>(Chairman)<br>Mr. L R Watawala<br>Mr. M H Cassim<br>Mr. D K W Liew<br>Mr. H K W Gunasinghe<br>Mr. S J Jebarathnam<br>Mr. M S Saleem<br>(Alternative Director to<br>Mr. D K W Liew)<br>Mr. T H C E de Silva<br>(Alternative Director to<br>Mr. S J Jebarathnam)<br><br>Secretaries :<br>P W Corporate Secretarial<br>(Private) Limited | Stated capital<br>Total assets<br>Total liabilities<br>Profit before tax<br>Profit after tax<br>EPS (Rs) | 81.0<br>177.1<br>7.2<br>33.9<br>33.9<br>0.4 | 81.0<br>163.9<br>27.8<br>20.7<br>17.9<br>0.2 |

* As at 31. 12. 2011

# 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. Raiffeisenlandesbank Oberosterreich Aktiengesellschaft
23. Salzburger Landes - Hypothekenbank AG

## BAHRAIN
24. Albaraka Islamic Bank
25. Arab Banking Corporation
26. Bahrain Islamic Bank
27. BBK (Formerly Bank of Bahrain & Kuwait BSC)
28. BMI Bank BSC (C)
29. Gulf International Bank
30. Habib Bank Limited
31. HSBC Bank Middle East
32. National Bank of Bahrain
33. The Arab International Company

## BANGLADESH
34. Agrani Bank
35. Bangladesh Krishi Bank
36. Basic Bank Limited (Banladesh Small Industries & Commerce Bank Limited)
37. Janata Bank
38. Prime Bank Limited
39. Pubali Bank Limited
40. Sonali Bank
41. The Premier Bank Limited
42. Uttara Bank

## BELARUS
43. Belarus Bank (Formerly Minskcomplex Bank)
44. Belvnesheconombank

## BELGIUM
45. Antwerpse Diamant Bank NV
46. Banca Monte Paschi, Belgio
47. Byblos Bank Europe SA
48. Deutsche Bank SA/NV
49. Fortis Bank NV/SA
50. ING Belgium SA/NV (Formerly Bank Brussels Lambert)
51. KBC Bank NV

## BERMUDA
52. Bank of Bermuda Limited

## BOTSWANA
53. Barclays Bank of Botswana Limited

## BRAZIL
54. Banco ABC Brasil SA
55. Banco FIBRA SA
56. Banco Industriel E Commercial SA (Bicbanco)
57. Banco Indusval SA

## BULGERIA
58. Central Cooperative Bank
59. Investbank PLC
60. Municipal Bank PLC
61. Texim Bank
62. Unicredit Bulbank AD (Formerly Bulbank AD)
63. United Bulgarian Bank AD
64. Raiffeisenbank (Bulgaria) EAD

## CAMBODIA
65. Acleda Bank PLC

## CANADA
66. Bank of Montreal
67. Bank of Nova Scotia
68. Canadian Imperial Bank of Commerce
69. HSBC Bank Canada (Formerly Credit Lyonnais Canada)
70. Royal Bank of Canada
71. Toronto Dominion Bank

## CHILE
72. Corpbanca

## CHINA
73. Bank of Changsha
74. Bank of China
75. Bank of Communications
76. Bank of Hangzhou Company Limited
77. Bank of Jiangsu
78. Bank of Jiujiang Company Limited
79. Bank of Nanjing
80. Bank of Shaoxing Company Limited
81. Changshu Rural Commercial Bank
82. China Development Bank Corporation
83. China Construction Bank
84. China Everbright Bank
85. Evergrowing Bank
86. Export Import Bank of China
87. OCBC Bank (China) Limited
88. Xian City Commercial Bank Company Limited
89. Zhejiang Nanxun Rural Cooperative Bank
90. Zhejiang Xiaoshan Rural Cooperative Bank

## COLOMBIA
91. Banco Popular

## COOK ISLANDS
92. WSBC Bank (Wall Street Banking Corporation Limited)

## CROATIA
93. Zagrebacka Banka DD

## CUBA
94. Banco National De Cuba (Vol 6)

## CYPRUS
95. Alpha Bank Cyprus Limited
96. Bank of Cyprus Public Company Limited
97. Hellenic Bank Public Company Limited
98. Marfin Popular Bank Public Company Limited (Formerly Cyprus Popular Bank Public Company Limited (Laiki Bank)
99. National Bank of Greece (Cyprus) Limited

## CZECH REPUBLIC
100. Ceska Sporitelna AS
101. Ceskoslovenska Obchodni Banka AS
102. Ge Money Bank AS
103. Komercni Banka AS
104. Raiffeisen Bank
105. Unicredit Bank Czech Republic AS

## DENMARK
106. ALS Skiern Bank
107. Danmarks National Bank

ondent

108. Danske Bank AS
109. Jyske Bank AS
110. Nordea Bank Denmark AS
111. Nordjyske Bank AS
112. Rinkjobing Landbobank
113. Skjern Bank
114. Spare Nord Bank
115. Sparebank Vest
116. Sydbank AS
117. Vestjysk Bank

## ECUADOR

118. Banca International Produbanco

## EGYPT

119. ABC Egypt (Arab Banking Corporation)
120. Arab International Bank
121. Bank of Alexandria
122. Banque Du Carie SAE
123. Banque MISR SAE
124. Central Bank of Egypt
125. Commercial International Bank (Egypt) SAE
126. Egyptian Saudi Finance Bank
127. Faisal Islamic Bank of Egypt SAE
128. Mohandes Bank
129. National Bank of Egypt
130. Suez Canal Bank SAE
131. Credit Agricole Indosuez (Egypt) SAE (Now Calyon Bank Egypt) SAE

## ESTONIA

132. SEB Pank

## ETHIOPIA

133. Commercial Bank of Ethiopia

## FIJI

134. National Bank of Fiji Limited (Colonial National Bank)

## FINLAND

135. Aktia Bank PLC
136. Nordea Bank Finland PLC
137. OKO Osuuspankkien Keskuspankki OYJ
138. Pohjola Bank PLC
139. Sampo Bank PLC

## FRANCE

140. Al Khaliji France SA
141. Bank of India (Paris Branch)
142. Banque BIA
143. Banque De Neuflize, Schlumberger, Mallet, Demachy
144. Banque D'escompte
145. Banque Federative Du Credit Mutuel
146. Banque Palatine
147. Banque SBA
148. BNP Paribas
149. Calyon
150. Credit Agricole
151. Credit Cooperatif
152. Credit Du Nord
153. Credit Industrial Del' Quest
154. Credit Industrial ET Commercial (CIC)
155. Credit Lyonnais
156. HSBC Private Bank France SA
157. Natixis (Formerly Natexis Banque Populaires)
158. Societe Generale
159. Union De Banques Arabes ET Francaises (UBAF)
160. VTB Bank (France) SA (Formerly Banque Commerciale Pour L' Europe Du Nordeurobank)

## GEORGIA

161. Bank of Georgia

## GERMANY

162. Baden Wuttenbergische Bank AG
163. Bankhaus Carlf Plump & Company
164. Bankhaus Neelmeyer AG
165. Bayerische Hypo-Und Vereinsbank AG
166. Bayerische Landesbank
167. Berenberg Bank
168. Berliner Volksbank EG
169. BHF Bank Aktiengeselschaft
170. Bremer Landesbank
171. Commerzbank AG (Dusseldorf - Germany)
172. Commerzbank AG (Frankfurt - Germany)
173. Deutsche Bank AG
174. Deutsche Bundesbank
175. Deutsche Postbank AG
176. DVB Bank AG
177. DZ Bank AG
178. Frankfurter Volksbank EG
179. HSBC Trinkaus & Burkhardt KGA
180. ING BHF - Bank AG
181. Kreissparkasse Goppingen
182. Landesbank Baden-Wurttemberg
183. Landesbank Berlin AG (Merger of Bankgesel-Lschaft Berlin AG & Landesbank Berlin AG)
184. Landesbank Hessen Thuringen Girozentrale
185. LRP Landesbank Rheinland PFALZ
186. Nassauische Sparkasse
187. Nordeutsche Landesbank Girozentrale
188. NRW Bank
189. Oldenburgische Landesbank AG
190. Sparkasse Bielefeld
191. Sparkasse Duren
192. Sparkasse Essen (Stadtsparkasse Essen)
193. Sparkasse Herford
194. Sparkasse Pforzheim CALW
195. Stadtsparkasse Monchengladbach
196. Stadtsparkasse Wuppertal
197. Standard Chartered Bank (Frankfurt-Germany)
198. Westlb AG

## GHANA

199. Ghana Commercial Bank Limited

## GREECE

200. Alpha Bank
201. Aspis Bank
202. EFG Eurobank Ergasias SA
203. Marfin Egnatia Bank SA (Formerly Egnatia Bank SA)
204. National Bank of Greece
205. Piraeus Bank

## HONG KONG

206. Bank of East Asia Limited
207. Cathay Bank
208. Chiyu Banking Corporation Limited
209. Chong Hing Bank Limited (Formerly Liu Chong Hing Bank Limited)
210. DAH Sing Bank Limited
211. DBS Bank (Hong Kong) Limited
212. Hang Seng Bank Limited
213. Hongkong & Shanghai Banking Corporation
214. Industrial and Commercial Bank of China (Asia) Limited
215. Nan Yang Commercial Bank Limited
216. Oversea - Chinese Banking Corporation
217. Shanghi Commercial Bank Limited
218. Wing Hang Bank Limited
219. UBAF Hong Kong Limited (UBAF) Union de Banques Arabes Et Francaises

## HUNGARY

220.. Bank of Hungarian Savings Cooperatives Company Limited
221. Budapest Credit Development Bank RT
222. Central-European Int'l Bank Limited (CIC Bank)
223. ERST Bank Hungary NYRT
224. Kereskedelmi Es Hitelbank (K and H Bank Nyrt)
225. Magyar Nemzeti Bank
226. Raiffeisen Bank ZRT
227. Unicredit Bank Hungary ZRT

## ICELAND

228. GLITNIR BANKI HF (Formerly Islandbanki FBA Limited)

# Correspondent Banks by Country

## INDIA

229. Allahabad Bank
230. Andhra Bank
231. Axis Bank
232. Bank of Baroda
233. Bank of India (Mumbai)
234. Bank of Maharashtra
235. Canara Bank
236. Central Bank of India
237. Corporation Bank
238. Development Credit Bank Limited
239. HDFC Bank
240. ICICI Bank Limited
241. IDBI Bank Limited
242. Indian Bank
243. Indian Overseas Bank
244. Indusind Bank Limited
245. Jammu & Kashmir Bank Limited
246. Karur Vysya Bank
247. Punjab & Sind Bank Limited
248. Punjab National Bank
249. Saraswat - Cooperative Bank Limited
250. State Bank of India
251. State Bank of Hyderabad
252. State Bank of Travancore
253. Syndicate Bank
254. Tamilnad Mercantile Bank Limited
255. The Bank of Rajastan Limited
256. UCO Bank
257. Union Bank of India
258. United Bank of India

## INDONESIA

259. PT Bank Pan Indonesia TBK (Panin Bank)
260. Bank Artha Graha
261. Bank Mega
262. PT Bank Bukopin
263. PT Bank Central Asia TBK
264. PT Bank Ekspor Indonesia
265. PT Bank Mandiri (Persero)
266. PT Bank Negara Indonesia TBK
267. PT Bank Permata TBK
268. PT Bank Rabobank International
269. PT Bank Rakyat Indonesia

## IRAQ

270. Central Bank of Iraq
271. Rafidain Bank
272. Rasheed Bank

## IRELAND

273. Allied Irish Bank PLC

## ISRAEL

274. Bank Hapoalim BM
275. Bank Leumi Le Israel BM
276. Bank of Palestine
277. First International Bank of Israel Limited
278. Israel Discount Bank
279. Mercantile Discount Bank Limited
280. Mizrahi Tefahot Bank Limited
281. Union Bank of Israel Limited

## ITALY

282. Banca Agricola Mantovana SPA
283. Banca Antonveneta SPA
284. Banca Carige SPA
285. Banca Delle Marche SPA
286. Banca Di Credito Cooperativo Di Alba
287. Banca Di Cividale SPA
288. Banca Di Imola SPA
289. Banca Di Roma
290. Banca Etruria Soc Coop
291. Banca Monte Dei Paschi Di Siena
292 Banca Nazional Del Lavoro SPA (Merged Into BNP Paribas)
293. Banca Popolare - Volksbank (Banca Popolare Dell Alto Adige)
294. Banca Popolare Dell Emilia Romagna
295. Banca Popolare Di Milano
296. Banca Popolare Di Ravenna SPA
297. Banca Popolare Di Sondrio
298. Banca Popolare Di Verona E Novara SCRL (Including Creito Bergamasco Spa,Banca Popolaredi Novara Spa) Verona
299. Banca Popolare Di Vicenza Scparl
300. Banca Regionale Europea SPA
301. Banca Toscana SPA
302. Banca Ubae SPA
303. Banca Valsabbina SCPA
304. Banco Carim - Cassa Di Risparmio Di Rimini SPA
305. Banco Di Desio E Della Brianza SPA
306. Banco Di Sardegna SPA
307. Banco Di Sicilia
308. Bipop-Carires
309. Cariparma SPA
310. Cassa Di Risparmio Di Ascoli Piceno SPA
311. Cassa Di Risparmio Di Bolzano SPA
312. Cassa Di Risparmio Di Carrara SPA
313. Cassa Di Risparmio Di Prato SPA (Cariprato)
314. Cassa Di Risparmio Di San Miniato SPA
315. Credito Valtellinese
316. Deutsche Bank SPA
317. Hipo Alpe-Adria-Bank SPA
318. Intesa Sanpaolo Spa (Formerly Banca Intesa SPA)
319 Ugf Banca
320. Unicredito Italiano SPA
321. Unipol Banca SPA

## JAMAICA

322. National Commercial Bank of Jamaica Limited

## JAPAN

323. 77 Bank Limited
324. Aozora Bank Limited
325. Australia & New Zealand Banking Group Limited
326. AWA Bank Limited
327. Bank of KOCHI Limilted
328. Bank of KYOTO
329. Bank of Tokyo-Mitsubishi UFJ Limited
330. Bank of Yokohama Limited
331. Chiba Kogyo Bank Limited
332. Chukyo Bank Limited
333. Chuo Mitsui Trust And Banking Compnay Limited
334. Gunma Bank Limited
335. Higashi-Nippon Bank
336. Horuriku Bank Limited
337. Kinki Osaka Bank Limited
338. KIYO Bank Limited
339. KYOTO Shinkin Bank
340. Minato Bank Limited (Formerly Midori Bank Limited)
341. Mitsubish Trust & Banking Company
342. Mizuho Bank Limited
343. Mizuho Corporate Bank Limited
344. Nishi Nippon City Bank Limited
345. Okazaki Shinkim Bank
346. Osaka City Shinking Bank
347. Resona Bank Limited
348. Saitama Resona Bank Limited
349. Seto Shinkin Bank
350. Shiga Bank Limited
351. Shinkin Central Banko
352. Shinsei Bank Limited (Formerly Long Term Credit Bank of Japan)
353. Standard Chartered Bank
354. Sugamo Shinkin Bank
355. Sumitomo Mitsui Banking Corporation
356. The Asahi Shinkin Bank
357. The Ashikaga Bank Limited
358. The Hokkaido Bank Limited
359. The Shikoku Bank Limited
360. The Shizuoka Bank Limited
361. The Yokohama Shinkin Bank
362. Tokushima Bank Limited
363. Tokyo Tomin Bank Limited
364. Tomato Bank Limited
365. Towa Bank Limited
366. Yamagata Bank Limited
367. Yamaguchi Bank Limited
368. Yamanashi Chuo Bank Limited

## JORDAN

369. Arab Bank PLC
370. Arab Jordan Investment Bank
371. Bank AL Ethihad (Name change - Union Bank for Savings & Invetment, New Name Bank AL Ethihad w.e.f. 21.09.2011)
372. Bank Audi Sal - Audi Saradar Group
373. Bank of Jordan PLC
374. Cairo Amman Bank
375. Housing Bank For Trade & Finance
376. Investbank (Formely Jordan Investment & Finance Bank (JIF Bank)
377. Islamic International Bank Limited
378. Jordan Ahli Bank PLC w.e.f. 12/11/2006 (Formerly Jordan National Bank)
379. Jordan Commercial Bank (Formerly Jordan Gulf Bank)

380. Jordan Dubai Islamic Bank
381. Jordan Kuwait Bank

## KAZAKSTAN

382. JSC Bank Centercredit

## KENYA

383. Barclays Bank of Kenya Limited
384. Kenya Commercial Bank Limited

## KOREA

385. Citibank Korea Inc (Formerly Koram Bank)
386. Foreign Trade Bank of The Democratic People's Bank of Korea
387. Hana Bank (Merger of Hana Bank & Seoul Bank)
388. Kookmin Bank
389. Korea Development Bank
390. Korea Exchange Bank
391. Kyongnam Bank
392. Pusan Bank
393. The Kwagju Bank Limited
394. Woori Bank

## KUWAIT

395. Bank of Kuwait & The Middle East
396. Burgan Bank SAK
397. Commercial Bank of Kuwait SAK
398. Gulf Bank
399. Kuwait International Bank
400. National Bank of Kuwait SAK

## KYRGYZSTAN

401. Asia Universal Bank

## LATVIA

402. Parex Bank
403. Rietumu Bank
404. Seb Banka

## LEBANON

405. Al Ahli International Bank SAL
406. Arab African International Bank
407. Arab Bank PLC (Lebanon Branches Centre) Beirut
408. Audi Saradar Private Bank SAL
409. BLC Bank SAL
410. Bank Audi Sal - Audi Saradar Group
411. Bank Bemo SAL
412. Bank of Beirut SAL
413. Banque Libano Francaise
414. BBAC SAL(Formerly Bank of Beirut & The Arab Countries SAL)
415. BLC Bank SAL (Formerly Banque Libanaise Pour Le Commerce SAL)
416. BLOM Bank SAL
417. Byblos Bank SAL
418. Credit Libanais SAL
419. Fransbank SAL
420. IBL Bank
421. Jamal Trust Bank SAL
422. Societe Generale Banque Au liban SAL
423. Meab Bank
424. Near East Commercial Bank SAL
425. Societe Nouvelle De La Banque De Syrie Et Du Liban SAL

## LIBYA

426. Gumhoria Bank
427. National Commercial Bank SAL
428. Umma Bank SAL
429. Wahda Bank

## LITHUANIA

430. AB Bankas Hansa Bankas
431. AB Bankas Snoras
432. SEB Bank
433. UKIO Bank AS

## MACAU

434. Banco Weng Hang SA

## MADAGASCAR

435. Bank of Africa - Madagascar
436. Banque Centrale De Madagascar

## MALAWI

437. National Bank of Malawi

## MALAYSIA

438. Alliance Bank Malaysia, Berhad
439. Ambank Berhad (Formerly Arab-Malaysian Bank - Berhad)
440. Bank Islam Malaysia Berhad
441. CIMB Bank Berhad (Formerly Bumiputra Commerce Bank Berhad)
442. Eon Bank Berhad
443. Malayan Banking Berhad (May Bank)
444. OCBC (Malaysia) Berhad
445. Oversea - Chinese Banking Corporation (Kuala Lumpur)
446. Public Bank Berhad
447. RHD Bank Berhad
448. Royal Bank of Scotland
449. United Overseas Bank (Malaysia) Berhad

## MALDIVES

450. Bank of Maldives PLC
451. Habib Bank Limited

## MALTA

452. Bank of Valleta
453. FIM Bank PLC Limited
454. HSBC Bank Malta PLC

## MAURITIUS

455. State Bank of Mauritius Limited
456. The Mauritius Commercial Bank Limited

## MEXICO

457. Banco Nacional De Mexico SA
458. Banco Santander Mexicano SPA
459. BBVA Bancomer SA
460. HSBC Mexico SA

## MOZAMBIQUE

461. Banco International De Mocambique SARL

## MONGOLIA

462. Trade & Development Bank of Mongolia

## MOROCCO

463. Credit Du Marco SA

## MYANMAR

464. Myanmar Foreign Trade Bank
465. Myawaddy Bank Limited

## NAMIBIA

466. Bank Windhoek Limited

## NEPAL

467. Himalanyan Bank Limited
468. Nepal Bank Limited
469. Nepal Credit and Commercial Bank
470. Standared Chartered Bank Nepal Limited

## NETHERLANDS

471. ABN Ambro Bank
472. F Van Lanschot Bankiers NV
473. Hollandsche Bank - Unie NV
474. ING Bank NV
475. Lan Schot Bankiers NV F Van
476. Rabobank Nederland
477. SNS Bank NV
478. The Economy Bank NV

## NEW ZEALAND

479. ANZ Bank National Bank Limited
480. ASB International Bank
481. Bank of New Zealand
482. Westpec Banking Corporation

## NIGERIA

483. First Bank of Nigeria PLC
484. Union Bank of Nigeria PLC

## NORWAY

485. DNB Nor Bank ASA (Formerly Den Norske Bank NA)
486. Nordea Bank Norge AS
487. Sparebanken Hedmark
488. Sparebanken More
489. Sparebanken Nord Norge

## OMAN

490. Bank Dhofar SAOG
491. Bankmuscat SAOG
492. Bank Sohar SAOG
493. National Bank of Oman SAOG
494. Oman Arab Bank SAOC
495. Oman International Bank

## PAKISTAN

496. Allied Bank of Pakistan
497. Askaribank Limited (Formerly Askari Commercial Bank Limited)
498. Atlas Bank
499. Bank Al Habib Limited
500. Bank of Khyber
501. Bank of Panjab
502. Dawood Islamic Bank Limited
503. Faysal Bank Limited
504. Habib Bank Limited

# Correspondent Banks by Country

505. Habib Metropolitian Bank Limited
506. KASB Bank
507. MCB Bank Limited (Formerely Muslim Commercial Bank)
508. Meezan Bank Limited
509. Mybank Limited
510. National Bank of Pakistan
511. Soneri Bank Limited
512. Standared Chartered Bank (Pakistan) Limited
513. United Bank Limited

## PALESTINIAN AUTONOMOUS

514. Arab Islamic Bank

## PAPUA NEW GUINEA

515. Westpac Bank PNG Limited

## PARAGUAY

516. Banco Amambay SA

## PERU

517. Banco De Credito Del Peru

## PHILIPPINES

518. Metropolitian Bank & Trust Company
519. Philippine National Bank

## POLAND

520. Bank BGZ
521. Bank Gospodarstwa Krajowego
522. Bank Handlowy Warszawa SA
523. Bank Millennium SA
524. KREDYT Bank SA
525. Raiffeisen Bank Polska SA

## PORTUGAL

526. Banco BPI SA
527. Banco Espirito Santo SA
528. BNP - Banco Portugues De Negocios SA
529. Finibanco SA
530. Millennium BCP (Foremerly Banco Commercial Portugues SA)

## QATAR

531. Barwa Bank
532. Doha Bank
533. Qatar International Islamic Bank
534. Qatar Islamic Bank SAQ

## ROMANIA

535. Banca Comerciala Carpatica
536. Banca Commerciala Romana SA
537. Banca Transilvania
538. BRD - Groupe Societe Generale SA

## RUSSIA

539. Bank For Development & Foreign Economic Affairs (Formerly Bank For Foreign Economic Affairs of The USSR)
540. Bank Jugra
541. Bank of Moscow
542. BIN Bank
543. International Moscow Bank
544. JSC VTB Bank (Formerly Bank For Foreign Trade (Vneshtorgbank)
545. M D M Bank
546. Nomos-Bank (Novaya Moskva)
547. ROS Bank
548. SBERBANK
549. Trans Credit Bank
550. Vneshtconombank

## SAUDI ARABIA

551. Al Rajhi Bank (Formerly Al Rajhi Banking & Investment Corporation)
552. Arab National Bank
553. Bank Al Bilad
554. Bank Al Jazira
555. Banque Saudi Fransi
556. National Commercial Bank Limited
557. Riyad Bank
558. Samba Financial Group
559. Saudi British Bank
560. Saudi Hollandi Bank

## Scotland

561. Royal Bank of Scotland

## SERBIA

562. Banca Intesa AD Beograd

## SERBIA & MONTENEGRO

563. National Bank of Serbia

## SEYCHELLES

564. Seychelles International Mercantile Banking (NOUVOBNQ)

## SINGAPORE

565. Bank of India (Singapore)
566. DBS Bank Limited
567. Dexia Banque Internationale A Luxembourge
568. Far Eastern Bank Limited
569. Indian Bank
570. Oversea - Chinese Banking Corporation Limited
571. Skandinaviska Enskilda Banken AB
572. Standard Chartered Bank
573. The Bank of East Asia Limited
574. UCO Bank
575. Union De Banques Arabes ET Francaises (UBAF)
576. United Overseas Bank Limited
577. VTB Bank Europe PLC (Formerly Moscow Narodny Bank Limited)

## SINGAPORE/MALAYSIA

578. ABN Amro

## SLOVAKIA

579 Ceskoslovenska Obchodni Banka AS
580. Postova Bank AS
581. Slovenska Sporitelna AS
582. Tarta Bank AS
583. Unicredit Bank Slovakia AS
584. Vseobecna Uverova Bank AS

## SLOVENIA

585. Nova Kreditna Banka Maribor DD
586. Nova Ljubljanska Banka DD Ljubljana
587. Gorenjska Banka
588. Abanka Vipa DD

## SOLOMON ISLANDS

589. National Bank of Solomon Islands

## SOMALIA

590. Commercial & Savings Bank of Somalia

## SOUTH AFRICA

591. ABSA Bank Limited
592. Firstrand Bank Limited
593. Nedcor Bank Limited (NED Bank)
594. Standard Bank of South Africa Limited
595. The Standard Chartered Bank of South Africa,Johannesburg

## SPAIN

596. Banco Bilbao Vizcaya Argentaria
597. Banco De Europa SA
598. Banco De Sabadell
599. Banco De Valencia
600. Banco Guipuzcoano SA
601. Banco Intercontinential Espanol (Bankinter)
602. Banco Pastor SA
603. Banco Santander Central Hispano
604. Caixa'd Estalvis De Catalunya
605. Caja De Ahorrosy Pensiones De Barcelona La Caixa
606. Caja Madrid

## SUDAN

607. Bank of Khartoum
608. National Bank of Sudan

## SWEDEN

609. Nordea Bank AB (Publ)
610. SEB Merchant Banking
611. Skandinaviska Enskilda Banken AB (Publ)
612. Svenska Handelsbanken AG (Publ)
613. Swed Bank

## SWITZERLAND

614. Banque Cantonale De Geneve
615. Banque Cantonale Vandoise
616. Banque De Commerce Et De Placements
617. BNP Paribas (Suisse) SA
618. BSI SA
619. Credit Agricole (Sussie) SA
620. Credit Sussie
621. Faisal Private Bank (Switzerland) SA
622. Habib Bank AG Zurich
623. Luzerner Kantonal Bank
624. UBS AG (Union Bank of Switzerland)
625. Zurcher Kantonalbank

## SYRIA

626. Bank Audi Syria
627. Commercial Bank Syria

## TAIWAN

628. Bank of Taiwan
629. China Trust Commercial Bank
630. Chinfon Commercial Bank
631. E-Sun Commercial Bank Limited
632. First Commercial Bank
633. Hua Nan Commercial Bank
634. Mega International Commercial Bank
635. Shanghi Commercial & Savings Bank Limited
636. Shin Kong Bank
637. Taipei Fubon Commercial Bank
638. Taiwan Cooperative Bank
639. Union Bank of Taiwan

## TANZANIA

640. NBC Limited (National Bank of Commerce)

## THAILAND

641. Bangkok Bank Public Company Limited
642. Bank of Ayudhya Public Company Limited
643. Export Import Bank of Thailand
644. Kasikornabank Public Company Limited (Formerly Thai Farmers Bank)
645. Krung Thai Bank Public Company Limited
646. Siam City Bank Public Company Limited
647. Siam Commercial Bank PCL
648. Standard Chartered Bank (Thai) Public Company Limited
649. United Overseas Bank (Thai) Public Company Limited

## TUNISIA

650. Attijari Bank
651. Banque Nationale Agricole
652. Societe Tunisienne De Banque

## TURKEY

653. AK Bank TAS
654. Anadolu Bank
655. Arab Turkish Bank
656. Asya Katilim Bankasi AS (Formerly Asya Finans Kurumu AS)
657. Euro Tekfen AS
658. Kocbank AS (Merged Into Yapi Ve Kredi Bankasi)
659. Kuvoyt Turk Katilim Bankasi AS
660. Oyak Bank As (ING Bank AS) Name Changed On 07.07.2007
661. Tekstil Bankasi AS
662. Turk Economi Bankasi
663. Turkiye Finance Katilinu Bankasi AS
664. Turkiye Garanti Bankasi AS
665. Turkiye Is Bankasi AS
666. Turkiye Vakiflar Bankasi TAO
667. Turkland Bank - T Bank
668. Yapi Ve Kredi Bankasi AS

## UNITED ARAB EMIRATES

669. Abu Dhabi Commercial Bank
670. Abu Dhabi Islamic Bank
671. Arab Bank For Investment & Foreign Trade
672. Commercial Bank International PLC
673. Commercial Bank of Dubai PSC
674. Dubai Islamic Bank PLC
675. Emirates NBD PJSC
676. First Gulf Bank
677. Mashreqbank PSC
678. Middle East Bank PJSC
679. National Bank of Abu Dhabi
680. National Bank of Fujirah
681. Noor Islamic Bank
682. Union National Bank
683. United Arab Bank

## UGANDA

684. Barclays Bank of Uganda Limited

## UKRAINE

685. Calyon Bank
686. First Ukraininan International Bank-PJSC
687. OTP Bank - Public Joint Stock Company
688. PJSC "Alfa - Bank'
689. Prominvest Bank
690. Ukreximbank (State Export-Import Bank of Ukrain)

## UNITED KINGDOM

691. AIB Group (Formerly Allied Irish Bank)
692. Barclays Bank PLC
693. Clydesdale Bank PLC
694. Gulf International Bank (Uk) Limited
695. Habib Bank Ag Zurich
696. Habibsons Bank Limited
697. HSBC Bank PLC
698. Investec Bank (UK) Limited
699. Lloyds TSB Bank PLC
700. National Westminster Bank PLC
701. Royal Bank of Scotland PLC
702. Standard Bank PLC
703. Standard Chartered Bank

## URUGUAY

704. The Banco De La Republic Oriental Del Uruguay

## UNITED STATES OF AMERICA

705. American Express Bank Limited
706. Banco Del Pichincha CA
707. Bank of America NA
708. Bank of Tampa
709. Branch Banking & Trust Company
710. Brown Brothers Harriman & Company
711. Citibank NA
712. Cobank ACB
713. Commerce Bank NA
714. Deutsche Bank Trust Company Americas
715. First Hawiian Bank
716. French American Banking Corporation
717. Habib American Bank
718. HSBC Bank USA
719. Hibernia National Bank
720. Huntington National Bank
721. Israel Discount Bank of New York
722. JP Morgan Chase Bank
723. La Salle Bank Midwest
724. M & T Bank (Formerly Allfirst Bank)
725. National City Bank of Indiana
726. National Penn Bank
727. Northern Trust Company
728. PNC Bank NA
729. San Diego National Bank
730. Silicon Valley Bank
731. Sovereign Bank
732. Standard Chartered Bank
733. State Street Bank & Trust Co
734. Sun Trust Bank Limited
735. The Bank of Newyork Mellon (Bank of New York Merged With Mellon Bank 21.07.08)
736. UMB Bank NA
737. Union Bank of California NA
738. US Bank NA
739. Wells Fargo Bank NA (Wachovia Bank NA Merged With Wells Fargo)

## VIETNAM

740. Bank For Foreign Trade of Vietnam
741. Bank For Investment & Development of Vietnam

## YEMEN

742. International Bank of Yemen YSC
743. National Bank of Yemen
744. Yemen Bank For Reconstruction & Development
745. Yemen Commercial Bank
746. Yemen Kuwait Bank

## ZAMBIA

747. Barclays Bank of Zambia Limited

## ZIMBABWE

748 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 Ltd 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

## GREECE
13. International Express Remittance International Money Transfer Mediation Company

## HONG KONG
14. Lotus Forex Limited

## ISRAEL
15. Tifco Logistics & Trade Limited

## ITALY
16. Valutrans SPA

## JORDAN
17. Al Samhouri Exchange Company
18. Alawaneh Exchange Company
19. Shift Financial Services Limited

## KUWAIT
20. Al Mulla International Exchange Company WLL
21. Al Muzaini Exchange Company KSC (Closed)
22. Bahrain Exchange Company WLL
23. City International Exchange Company WLL
24. Dollarco Exchange Company Limited
25. Etemadco Exchange Company WLL
26. International Financial Line Company
27. Kuwait Asian International Exchange Company WLL
28. Kuwait Bahrain International Exchange Company
29. Kuwait India International Exchange Company
30. National Exchange Company WLL
31. National Money Exchange Company WLL
32. Oman Exchange Company Limited
33. Security Exchange Company WLL
34. UAE Exchange Centre WLL

## LEBANON
35. Services Exchange Company (Imad Al Hariri Trading Company & Partners - SECO)

## MALAYSIA
36. Merchantrade Asia SDN BHD

## OMAN
37. Asia Express Exchange
38. Gulf Overseas Exchange Co LLC
39. Hamdan Exchange
40. Majan Exchange LLC
41. Modern Exchange Company LLC
42. Musandam Exchange
43. Mustafa Sultan Exchange Company LLC
44. Oman & UAE Exchange Centre Company LLC
45. Oman International Exchange LLC
46. Oman United Exchange Company LLC
47. Purshottam Kanji Exchange Company LLC

## QATAR
48. Al Dar For Exchange Works
49. Al Fardan Exchange Company WLL
50. Al Sadd Exchange
51. Al Zaman Exchange WLL
52. Arabian Exchange Company WLL
53. Eastern Exchange EST
54. Gulf Exchange Company
55. Habib Qatar International Exchange Limited
56. Islamic Exchange
57. National Exchange Company WLL (Formerly Al Shaibei Exchange Company)
58. Trust Exchange Company Limited
59. Union Exchange

## SINGAPORE
60. HBZ International Exchange Company (Singapore) Pvt Limited
61. Mustafa Foreign Exchange

## SWITZERLAND
62. Motherhouse GMBH

## UNITED ARAB EMIRATES
63. Al Ahalia Money Exchange Bureau
64. Al Ansari Exchange EST
65. Al Fardan Exchange
66. Al Mona Exchange Company LLC
67. Al Razouki International Exchange Company LLC
68. Al Rostamani International Exchange (Formerly Thomas Cook Al Rostamani Exchange Company)
69. Alukkas Exchange
70. Asia Exchange Centre
71. Delma Exchange
72. Dubai Exchange Centre LLC
73. Emirates India International Exchange Company
74. Habib Exchange Company LLC
75. Hadi Express Exchange
76. Lari Exchange Establishment
77. Lulu International Exchange LLC
78. National Exchange Company
79. Orient Exchange Company LLC
80. Redha Al-Ansari Exchange EST
81. UAE Exchange Centre
82. Wall Street Exchange Centre
83. Xpress Money Services Limited
84. Zareen Exchange

## UNITED KINDOM
85. 3R Telecom Limited
86. An Express Limited
87. Coinstar
88. Currency Exchange Corporation (Fast Cash)
89. Global Exchange Limited
90. Intl Global Currencies Limited
91. Moneygram

## UNITED STATES OF AMERICA
92. 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.

### 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.

### COMPOUND ANNUAL GROWTH RATE (CAGR)
The year-over-year growth rate over a specified period of time.

### CONSOLIDATED FINANCIAL STATEMENTS
The Financial Statements of a Group presented as those of a single entity.

### CONTINGENT LIABILITIES
Liabilities that at Balance Sheet date can either not be measured or can only be anticipated to arise if a particular event occurs.

### CORRESPONDENT BANK
A bank that acts as an agent for another bank. The correspondent bank will generally provide a wide variety of banking services on behalf of the other bank in the region in which the correspondent bank is located.

### 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.

# Glossary of Financial/Banking Terms

### 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.

### 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

### GENERAL PROVISIONS
A provision made as a percentage on total performing advances and special mention loans and advances, for the potential credit risk.

### 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.

### 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.

## 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 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.

## 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.

# Glossary of Financial/Banking Terms

### 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.

### PRICE EARNINGS RATIO (P/E RATIO)
The current market price of a share divided by its earnings per share (EPS).

### PRIMARY DEALER SPECIAL RISK RESERVE
Reserve maintained in order to strengthen capital base further with development of capital market.

### 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.

### PROVISION FOR LOAN LOSSES
A charge to income added to the allowance for loan losses. Specific provisions are established to reduce the book value of specific assets (primarily loans) to estimated realisable values.

### PROVISION COVER
Total provisions for loan losses expressed as a percentage of net non-performing loans and advances before discounting for provisions on non-performing loans and advances.

### 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)
Net income 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)
Net income, less preferred share dividends, if any, expressed as a percentage of average ordinary shareholders' equity.

### REVENUE RESERVES
Reserves set aside for future distribution and investment.

### 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 banking operations, leasing operations, treasury and investments, property, insurance and Islamic banking.

### 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.

### SUBORDINATE DEBENTURE
The claims of the debenture holders shall in the event of winding up, rank after all the claims of the secured and unsecured creditors and any preferential claims under any statutes, but in priority to and over claims and 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).

# 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

## 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/cdb@boc.lk

## 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

## Treasury Division

"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, agmtrea@boc.lk

## 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

## 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

# te Offices

**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

**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 2205036
Fax : +94 11 2445811
Email : ibu@boc.lk

**Premier Banking Centre**

"Dedicated Centre for Private Banking"

21, Flower Road, Colombo 7.

Tel : +94 11 2694282 - 86
Fax : +94 11 2694280
Email : pbc@boc.lk

**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

**Trade Promotion**

"Service provider for migrant employee community"

9th 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

**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

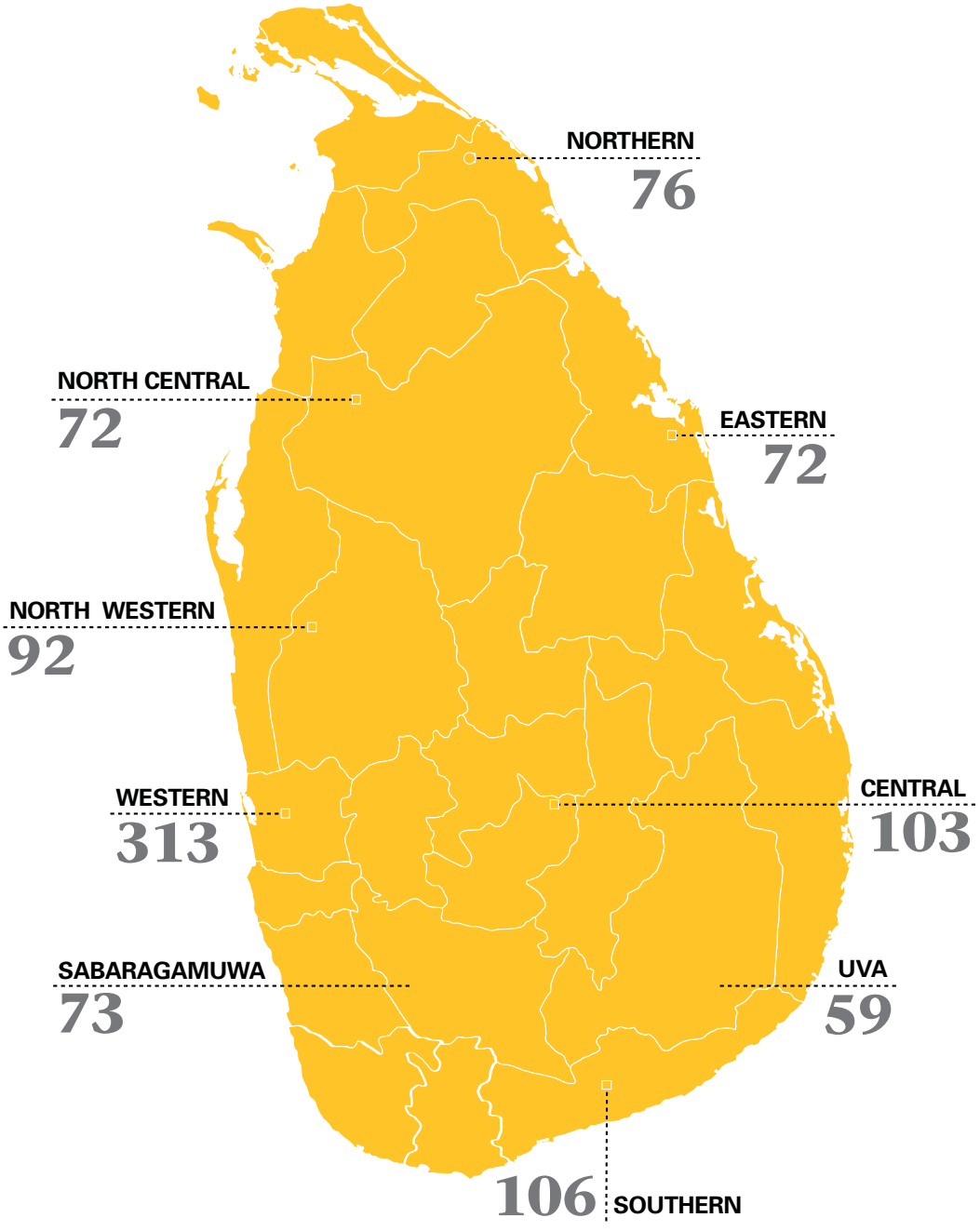
# BoC service points

## As at 31st December 2011

| PROVINCE | NO. OF BRANCHES | NO. OF EXTENSION OFFICES | NO. OF ATMs | TOTAL SERVICE POINTS |
|---|---|---|---|---|
| Central Province | 34 | 30 | 39 | 103 |
| Eastern Province | 17 | 35 | 20 | 72 |
| North Central Province | 31 | 12 | 29 | 72 |
| Northern Province | 18 | 36 | 22 | 76 |
| North Western Province | 35 | 19 | 38 | 92 |
| Sabaragamuwa Province | 25 | 22 | 26 | 73 |
| Southern Province | 38 | 24 | 44 | 106 |
| Uva Province | 26 | 12 | 21 | 59 |
| Western Province - North | 42 | 19 | 70 | 131 |
| Western Province - South | 43 | 26 | 80 | 149 |
| Corporate Branches | 6 | 13 | 12 | 31 |
| Premier Banking Center | 1 | 0 | 1 | 2 |
| Overseas Branches | 2 | 0 | 2 | 4 |
| | **318** | **248** | **404** | **970** |

Location of above are given on page from 316 to 335

# vice


NORTHERN
76
NORTH CENTRAL
72
EASTERN
72
NORTH WESTERN
92
WESTERN
313
CENTRAL
103
SABARAGAMUWA
73
UVA
59
106
SOUTHERN

# BoC Service Points

| 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 ● | 081-2376928 | 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 ● | 081-2310214 | boc524@boc.lk | 430/B, Gampola Road, Karamada, Gelioya. |
| 040 | Hatton | 051-2222214 | 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 | 066-2246280 | 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 ● | 081-4475283 | boc588@boc.lk | 1151, Sirimavo Bandaranayake Mawatha, Peradeniya. |
| 587 | Pilimatalawa ● | 081-5674566 | boc587@boc.lk | 246/2, Colombo Road, Pilimatalawa. |
| 425 | Pundaluoya | 051-2233205 | boc425@boc.lk | 45, Upper Bazaar, Pundaluoya. |
| 337 | Pussellawa | 081-2478664 | 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, Talawakelle. |
| 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 | 052-2279238 | 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. |

## CENTRAL PROVINCE

| Extension Office | Telephone | Postal Address |
|---|---|---|
| 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 , Hatharaliyadda |
| Kandy City Center ○ | 081-2205110 | Premises No 19, Level 1, Dalada Veediya, Kandy |
| Kandy Kachcheri | 081-2224214 | Kachcheri Building, Kandy |
| Kandy Teaching Hospital | 081-2233335 | Kandy Teaching Hospital ,Kandy |
| Kotagala ■ | 051-2223206 | 184 -186 ,Wooten Bazaar, Kotagala |
| Marassana | 081-2405105 | 29, Meeruppa, Marassana. |
| Matale Kachcheri | 066-2222024 | Kachcheri Building, Matale |
| Meepilimana | 052-2234410 | 67/68 A, Meepilimana, Nuwara Eliya |
| Menikhinna | 081- 2376911 | 19, Teldeniya Road , Menikhinna |
| Nuwara Eliya Kachcheri | 052-2222770 | Kachcheri Building, 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 |
| 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 Services

● Saturday ■ Sunday ○ Saturday & Sunday

| ATMs | No. |
|---|---|
| Alawathugoda Branch | 1 |
| Dambulla Branch | 1 |
| Dedicated Economic Centre, Dambulla | 1 |
| Digana Branch | 1 |
| Galagedara Branch | 1 |
| Galewela Branch | 1 |
| Gampola Branch | 1 |
| Gelioya Branch | 1 |
| Ginigathhena Extension Office | 1 |
| Hatton Branch | 1 |
| Kandy Branch | 3 |
| Kandy City Centre Extension Office | 1 |
| Kandy Teaching Hospital Extension Office | 1 |
| Kandy Second City Branch | 2 |
| Katugastota Branch | 1 |
| Madawala City Branch | 1 |
| Maskeliya Branch | 1 |
| Matale Branch | 2 |
| Naula Branch | 1 |
| Nawalapitiya Branch | 1 |
| Nuwara Eliya Kachcheri Extension Office | 1 |
| Nuwara Eliya Branch | 1 |
| Pallekelle Extension Office | 1 |
| Peradeniya Branch | 1 |
| 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 |
| Trendy Ware Adikarigama | 1 |
| Udadumbara Branch | 1 |
| Wattegama Branch | 1 |
| | 39 |

# BoC Service Points

## EASTERN PROVINCE

| Branch Code | Name of Branch | Telephone | E-Mail Address | Postal Address |
|---|---|---|---|---|
| 590 | Akkaraipattu | 067-2277235 | boc590@boc.lk | ASRM Building, Akkaraipattu |
| 021 | Ampara | 063-2222137 | boc021@boc.lk | 115 A, D. S. Senanayaka Street, Ampara |
| 012 | Batticaloa | 065-2227410 | boc012@boc.lk | Covington Road, Batticaloa |
| 630 | Chenkalady | 065-2240492 | boc630@boc.lk | Trincomalee Road, Chenkalady |
| 509 | Hingurana | 063-2240037 | boc509@boc.lk | Jeyalanka Building, Hingurana Junction, Hingurana |
| 510 | Kalmunai ● | 067-2229774 | boc510@boc.lk | 78, Kitddanki Road, Kalmunai |
| 611 | Kaluwanchikudy | 065-2250012 | boc611@boc.lk | Main Street, Kaluwanchikudy |
| 623 | Kantale | 026-2234230 | boc623@boc.lk | 91, Agrabodhi Mawatha, Kantale |
| 648 | Kattankudy | 065-2246613 | boc648@boc.lk | 40, 40b, 40c, Fowzy Mawatha, Kattankudy-1 |
| 735 | Kinniya ● | 026-2236270 | boc735@boc.lk | 27,27/1,27/2,29, Latheef Vidhanayar Road, Kinniya |
| 118 | Mutur | 026-2238327 | boc118@boc.lk | 38, Batticaloa Road, 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 |

## EASTERN PROVINCE

| Extension Office | Telephone | Postal Address |
|---|---|---|
| Addalaichchenai ● | 067-2279303 | Main Street , Addalaichchenai |
| Ampara Kachcheri | 063-2224150 | Kachcheri Building, Ampara |
| Arayampathy | 065-2247939 | Co-operative Building, Kalmunai Road, Arayampathy |
| Batticaloa Extension Office | 065-2227032 | 5, Station Road, Batticaloa |
| Batticaloa Kachcheri | 065-2257708 | Kachcheri Building, Batticaloa |
| Chinabay (4th Mile Post) | 026-2242327 | 61, Kinniya Road , Chinabay |
| Eastern University | 065-2240490 | Vantharumulai, Batticaloa |
| Eravur ● | 065-2241012 | Divisional Secretariat Building, Eravur |
| Gonagolla | 063-3632943 | Kandy Road, Gonagolla |
| Kallady | 065-2227962 | 180 A , New Kalmunai Road, Kallady |
| Kallar | 067-2225421 | Main Street, Periyakallar-1 |
| Karadiyanaru | 065-2241330 | 1, Badulla Road , Karadiyanaru |
| Karitivu | 067-2225484 | 20, Main Street , Karitivu |
| Kiran | 065-3651142 | Main Street, Kiran |
| Kokkaddicholai | 065-2227916 | Main Street , Ward No 10, Kokkaddichcholai |
| Mamanagam | 065-2227973 | 450, Bar Road, Mamanagam, Batticaloa |
| Maruthamunai | 067-2220503 | Main Street, Periyanilawanai, Maruthamunai |
| Mollipothana | 026-2246220 | 96th Junction, Galmetiyawa South, Mollipothana |
| Morawewa | 026-2225825 | Provincial Council Building , Morawewa |
| Nilaveli | 026-2232290 | Ward No 2 , Main Street , Nilaveli |
| Oddamavadi | 065-2258111 | Main Street, Mawadichchenai, Oddamavadi |
| Oluvil | 067-2255397 | Grand Mosque Road, Oluvil - 3 |

| ATMs | No. |
|---|---|
| Akkaraipattu Branch | 1 |
| Ampara Branch | 1 |
| Batticaloa Branch | 1 |
| Chenkalady Branch | 1 |
| Eastern University Extension Office | 1 |
| Hingurana Branch | 1 |
| Kaluwanchikudy Branch | 1 |
| Kalmunai Branch | 1 |
| Kantale Branch | 1 |
| Kattankudy Branch | 1 |
| Kinniya Branch | 1 |
| Mutur Branch | 1 |
| Nintavur Branch | 1 |
| Sri Lanka Navy, Trincomalee | 1 |
| Pothuvil Branch | 1 |
| Sammanthurai Branch | 1 |
| Trincomalee Branch | 1 |
| Trincomalee City Branch | 1 |
| Sri Lanka Air Force China Bay - Trincomalee | 1 |
| Valachchenai Branch | 1 |
| | 20 |

## EASTERN PROVINCE

| Extension Office | Telephone | Postal Address |
|---|---|---|
| Polwatta | 063-2242128 | 10, Polwaga Janapadaya, Polwatta , Ampara |
| Pulumude | 026-3266531 | Main Road, Ward No. 3, Pulumude. |
| Sainthamarathu | 067-2220478 | 15 Main Street, Sainthamarathu 11 |
| Serunuwara | 026-2251010 | Agrarian Service Building, Serunuwara |
| Thambiluvil ● | 067-2265309 | Main Street, Thambiluvil 2 |
| Thampalakamam | 026-2248043 | Agrarian Service Building, Kandy Road, Thampalakamam |
| Thoppur | 026-2240989 | Main Road , Thoppur |
| Trincomalee Kachcheri | 026-2222465 | Kachcheri Building, Trincomalee |
| Uhana | 063-2250001 | Jayanthi Building, Kandy Road, Uhana |
| Uppuveli | 026-2226227 | Agrarian Service Center , Love Lane , Uppuveli |
| Vavunativu | 065-3063522 | Central Market Building, Vavunativu |
| Vakarai | 065-2258181 | Trincomalee Road , Kandalady , Vakarai |
| Vellavely | 065-2251113 | 100 B, Main Street, Vellavely |

## 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 | 025-2249999 | boc692@boc.lk | 68/5, Kanthi City Building,Eppawala |
| 122 | Galenbindunuwewa | 025-2258280 | boc122@boc.lk | Denzil Kobbekaduwa Mawatha, Galenbindunuwewa |
| 653 | Galkiriyagama | 025-3853065 | 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 |

Holiday Banking Services

● Saturday ■ Sunday

# BoC Service Points

## NORTH CENTRAL PROVINCE

| Branch Code | Name of Branch | Telephone | E-Mail Address | Postal Address |
|---|---|---|---|---|
| 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 |

## NORTH CENTRAL PROVINCE

| Extension Office | Telephone | Postal Address |
|---|---|---|
| Anuradhapura Kachcheri | 025-2222142 | Kachcheri Building, Anuradhapura |
| Doramadalawa | 025-7200895 | Rajamaha Vihara Mawatha, Doramadalawa, Mihintale |
| Galamuna | 027-2226650 | Galamuna, Pansalgodalla |
| General Hospital, Anuradhapura | 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 | 025-2276538 | 157, Rajina Junction, Thambuttegama |
| Ranajayapura | 025-2262003 | Ranajayapura , Ipalogama |
| Sevanapitiya | 027-3277263 | 63 , Sevanapitiya |
| Thalawa | 025-2275090 | Anuradhapura Road, Thalawa |

| 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 |
| Galenbindunuwewa Branch | 1 |
| Galnewa Branch | 1 |
| Hingurakgoda Branch | 1 |
| Horowpothana Branch | 1 |
| Kaduruwela Branch | 2 |
| Kahatagasdigiliya Branch | 1 |

| ATMs | No. |
|---|---|
| Kekirawa Branch | 1 |
| Maliban Textiles (Pvt.)Ltd, Dehiattakandiya | 1 |
| Medawachchiya Branch | 1 |
| Medirigiriya Branch | 1 |
| 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 |
| | 29 |

## NORTHERN PROVINCE

| Branch Code | Name of Branch | Telephone | E-Mail Address | Postal Address |
|---|---|---|---|---|
| 778 | Atchuvely ● | 021-3215237 | boc778@boc.lk | Central College View, Rosa Veethy, Atchuvely |
| 501 | Chavakachcheri ● | 021-3214229 | boc501@boc.lk | VMK Building, Kandy Road, Chavakachcheri |
| 053 | Chunnakam ● | 021-3214228 | 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 ● | 021-2255188 | boc281@boc.lk | 174, Jaffna Road,Manipay |
| 574 | Mankulam | 024-3248037 | boc574@boc.lk | Main Road Mallawi, Mankulam |
| 046 | Mannar ● | 023-2251001 | 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 |
| 044 | Vavuniya ● | 024-2222358 | boc044@boc.lk | 75, Station Road, Vavuniya |

## NORTHERN PROVINCE

| Extension Office | Telephone | Postal Address |
|---|---|---|
| Alaveddy | 021-3202218 | Alaveddy Center, Alaveddy |
| Anandakulam Welfare Centre | 023-3233751 | Anandakulam , Adampan |
| Ananthakumarasamy Welfare Centre | 024-3248036 | Zone 01, Menik Farm, Wanni |
| Chankanai ● | 021-2250015 | Main Street, Chankanai |
| Delft | 021-3205614 | Delft |
| Illavalai | 021-3202328 | Main Street, Illavalai. |
| Jaffna Bus Stand | 021-2221010 | 400 , Hospital Road , Jaffna |
| Jaffna Kachcheri | 021-2228808 | Kachcheri Building, Jaffna |
| Jaffna Main Street | 021-2224564 | St Martyn Bishops House , Main Street , Jaffna |
| Kaithady | 021-3737100 | Kandy Road, Jaffna |
| Kayts Branch | 021-3214227 | Main Street, Kayts |
| Kodikamam | 021-3737070 | Kandy Road, Jaffna |
| Kokuvil | 021-3737765 | K.K.S Road , Kokuvil |

Holiday Banking Services

- Saturday only

## NORTHERN PROVINCE

| Extension Office | Telephone | Postal Address |
|---|---|---|
| Madhu | 023-2280079 | Periyapandivirichchan, Madhu |
| Mallawi | 024-3248038 | Main Street, Mallawi |
| Mannar Kachcheri | | Kachcheri Building, Wanni |
| Mulankavil | 024-3248039 | Nachchikuda Junction , Mulankavil |
| Mulliyawali | 024-3245730 | Ward No 3 ,Mullaitivu Mankulam Road , Mulliyawalli |
| Murunkan • | 023-3238095 | Chilawatura Road, Murunkan |
| Nainativu | 021-3202107 | Thambalagamuwa, MPCS Building, Kandy Road,Pudukudiruppu, Thambalagamuwa |
| Nanatan | 023-3233515 | Uyilankulam Road, Moddakkadai ,Nantan |
| Nedurukerny | 024-3245731 | APC Building, Nedurnkerny |
| Oddusuddan | 024-3248665 | Mankulam Road , Oddusuddan |

# BoC Service Points

## NORTHERN PROVINCE

| Extension Office | Telephone | Postal Address |
|---|---|---|
| Palai | 021-3202125 | A 9 Road , Pallai |
| Paranthan | 024-3248003 | A9 Road, Paranthan Junction, Paranthan |
| Pesali | 060-2233511 | Church Road, Pesali |
| Poonagari | 021-3202303 | Vadiyady Junction , Poonagari |
| Poovarasakulam (Thalikkulam) | 024-3248002 | Mannar Road ,Poovarasakulam, Vavuniya |
| Puthukulam | 024-3248034 | Sasthri Kolankulam, Vavuniya |
| Thalaimannar Pier | 023-2281085 | Thalaimannar Pier, Thalaimannar |
| Thirumurikandy | 021-3208281 | Akkarayan Road, Thirumurikandy. |
| Urumpirai | 021-2230899 | Palaly Road , Urumpirai |
| Valvettiturai | 021-2264883 | No D, Yale Road, Valvettiturai |
| Vavuniya Kachcheri | 024-2222626 | Kachcheri Building, Vavuniya |
| Vavuniya City | 024-2226631 | Bazaar Street, 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 |
| Chavakachcheri Branch | 1 |
| Chunnakam Branch | 1 |
| Jaffna Branch | 1 |
| Jaffna Campus - Thirunelvely | 1 |
| Jaffna Hospital | 1 |
| Jaffna Main Street, Extension Office | 1 |
| Jaffna Second City Branch | 1 |
| Kilinochchi Branch | 1 |
| Mallawi Extension Office | 1 |
| Manipay Branch | 1 |
| Mankulam Branch | 1 |
| Mannar Branch | 1 |
| Mulliyawali Extension Office | 1 |
| Nelliady Branch | 1 |
| Point Pedro Branch | 1 |
| Vavuniya Branch | 2 |
| Vavuniya- Kachcheri Extension Office | 1 |
| | 22 |

## 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 |

## NORTH WESTERN PROVINCE

| Branch Code | Name of Branch | Telephone | E-Mail Address | Postal Address |
|---|---|---|---|---|
| 052 | Kuliyapitiya ● | 037-2281280 | boc052@boc.lk | 70, Madampe Road, Kuliyapitiya |
| 009 | Kurunegala ● | 037-2233880 | boc009@boc.lk | Commercial Complex, Kurunegala |
| 513 | Kurunegala City ● | 037-2231472 | 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 |
| 546 | Pannala ■ | 037-2245071 | boc546@boc.lk | Public Ground Road, Pannala |
| 526 | Polgahawela | 037-2243280 | boc526@boc.lk | 64, Kegalle Road, Polgahawela |
| 664 | Pothuhera | 037-2237619 | boc664@boc.lk | 96, Colombo Road, Pothuhera |
| 783 | Polpithigama | 037-2273103 | boc783@boc.lk | Madagalla Road, Polpithigama. |
| 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 Kachcheri | 037-2229726 | Kachcheri Building, Kurunegala |
| Kumbukgete | 037-2264680 | Bank of Ceylon, Kumbukgete |
| Makandura ■ | 031-2298303 | Bandaranayaka Mawatha, Makandura |

## NORTH WESTERN PROVINCE

| Extension Office | Telephone | Postal Address |
|---|---|---|
| Marawila | 032-2252675 | 27/1, Chilaw Road, Marawila |
| Palaviya | 032-2269210 | Deshani Motors Building, Colombo Road , Palaviya |
| Paragahadeniya | 037-2296085 | Kandy Road, Paragahadeniya |
| Puttalam Kachcheri | 032-2265351 | Kachcheri Building, Puttalam |
| Thoduwawa ● | 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 |

Holiday Banking Services

● Saturday ■ Sunday

# BoC Service Points

| NORTH WESTERN PROVINCE | |
|---|---|
| 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 |

| NORTH WESTERN PROVINCE | |
|---|---|
| ATMs | No. |
| Kuliyapitiya Branch | 2 |
| Kuliyapitiya Hospital | 1 |
| Kumbukgete Extension Office | 1 |
| Kurunegala Branch | 1 |
| Kurunegala Base Hospital | 1 |
| Kurunegala City Branch | 2 |
| Kurunegala Kachcheri | 1 |
| Madampe Branch | 1 |
| Madurankuliya Branch | 1 |
| Marawila Extension Office | 1 |
| Mawathagama Branch | 1 |
| Melsiripura Branch | 1 |

| NORTH WESTERN PROVINCE | |
|---|---|
| ATMs | No. |
| Maho Branch | 1 |
| Narammala Branch | 1 |
| Nattandiya Branch | 1 |
| Nikaweratiya Branch | 1 |
| Norochcholai Branch | 1 |
| Pannala Branch | 1 |
| Polgahawela Branch | 1 |
| Puttalam Branch | 1 |
| Wariyapola Branch | 1 |
| Wayamba University | 1 |
| Wennappuwa Branch | 1 |
| | 38 |

## 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 ■ | 036-2268005 | 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 |

## SABARAGAMUWA PROVINCE

| Extension Office | Telephone | Postal Address |
|---|---|---|
| Bulathkohupitiya | 036-2247356 | 76, Kegalle Road, Bulathkohupitiya |
| Embilipitiya | 047-2261981 | 15, Moraketiya Road, Embilipitiya |
| Endana | 060-2450661 | New Town, Endana, Gabbela, Kahawatta |
| Galigamuwa | 035-2282050 | Avissawella Road, Galigamuwa junction |
| 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 | 045-2222454 | Palawela Road, Udakarawita |
| Kegalle Kachcheri | 035-2231574 | Kachcheri Building, Kegalle |
| Kegalle Hospital | 035-2222765 | Base Hospital Premises, Kegalle |

## SABARAGAMUWA PROVINCE

| Extension Office | Telephone | Postal Address |
|---|---|---|
| Kitulgala ■ | 036-2287747 | 81, Hatton Road , Kithulgala |
| Kolonna | 045-2260280 | Hospital Junction, Kolonna |
| Kotiyakumbura | 035-2289240 | 110, Kegalle Road, Kotiyakumbura |
| Sabaragamuwa University | 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, Ratnapura |
| Ratnapura Kachcheri | 045-2222454 | Kachcheri Building, Ratnapura |
| 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 |
| Eheliyagoda Branch | 1 |
| Embilipitiya Branch | 1 |
| Idangoda Extension Office | 1 |
| Kahawatte Branch | 1 |
| Kalawana Branch | 1 |
| Kegalle Branch | 1 |
| Kegalle Hospital Extension Office | 1 |
| Kuruwita Branch | 1 |
| Mawanella Branch | 1 |
| Nivithigala Branch | 1 |
| Pelmadulla Branch | 1 |

| ATMs | No. |
|---|---|
| Rakwana Branch | 1 |
| Rambukkana Branch | 1 |
| Ratnapura Branch | 1 |
| Ratnapura City Branch | 1 |
| 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 |
| | 26 |

Holiday Banking Services

● Saturday ■ Sunday

# BoC Service Points

| SOUTHERN PROVINCE | | | | |
|---|---|---|---|---|
| **Branch Code** | **Name of Branch** | **Telephone** | **E-Mail Address** | **Postal Address** |
| 754 | Ahungalla | 091-2264107 | boc754@boc.lk | 60, Galle Road, Ahungalla |
| 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 |
| 528 | Deniyaya | 041-2273870 | boc528@boc.lk | Main Street, Deniyaya. |
| 504 | Devinuwara ● | 041-2226280 | boc504@boc.lk | Tangalle Road, Devinuwara |
| 784 | Deiyandara | 041-2268598 | boc784@boc.lk | Hakmana Road, Deiyandara. |
| 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 ● | 091-2234478 | 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 | Tawalama |
| 538 | Tissamaharamaya | 047-2237280 | boc538@boc.lk | 70, Main Street, Tissamaharamaya |
| 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 | 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 Kachcheri | 091-2234514 | Kachcheri Building, 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 Kachcheri | 041-2222673 | Kachcheri Building, Matara |
| Morawaka | 041-2282700 | Wijaya Building , Morawaka |
| Pitabeddara | 041-2281081 | Deniyaya Road, Pitabeddara |
| Ranna | 047-2227280 | 165/1, Tissa Road, Ranna |
| Rajgama | 091-2267791 | Mangala Food City Building, Galle Road, Rajgama. |
| Suriyawewa ● | 047-2288280 | 27/1, Main Street, Suriyawewa |
| 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 Services

● Saturday ■ Sunday

| ATMs | No. |
|---|---|
| Akuressa Branch | 1 |
| Ambalangoda Branch | 1 |
| Ambalantota Branch | 1 |
| Baddegama Branch | 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 |
| 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 | 1 |
| Matara City Branch | 1 |
| Matara General Hospital | 1 |
| Middeniya Branch | 1 |
| Middeniya MAS Holdings | 1 |
| Neluwa Branch | 1 |
| Pitigala Branch | 1 |
| Ranna Extension Office | 1 |
| Ruhunu Campus Branch | 1 |
| Tangalle Branch | 1 |
| Thalgaswala Branch | 1 |
| Thissamaharama Branch | 1 |
| Urubokka Branch | 1 |
| Uragasmanhandiya Extension Office | 1 |
| Walasmulla Branch | 1 |
| Weeraketiya Branch | 1 |
| Weligama Branch | 1 |
| Yakkalamulla Branch | 1 |
| Walgama Extension Office | 1 |
| | 44 |

# BoC Service Points

## UVA PROVINCE

| Branch Code | Name of Branch | Telephone | E-Mail Address | Postal Address |
|---|---|---|---|---|
| 540 | Badalkumbura ● | 055-2250279 | boc540@boc.lk | No 92, Badulla Road, Badalkumbura |
| 011 | Badulla ■ | 055-2222129 | boc011@boc.lk | Bank Road, Badulla |
| 320 | Balleketuwa ■ | 055-2285160 | boc320@boc.lk | 36, Passara Road, Balleketuwa |
| 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 | 21, Nuwara Eliya Road, Ettampitiya |
| 669 | Girandurukotte | 027-2254380 | boc669@boc.lk | New Town, Girandurukotte |
| 463 | Haldumulla | 057-3576821 | boc463@boc.lk | 25,Colombo Road, Haldumulla |
| 035 | Haputale ■ | 057-2268080 | boc035@boc.lk | 20, Station Road, Haputale |
| 785 | Hali-ela | 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 | 382, 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 ■ | 055-2245180 | boc730@boc.lk | 12,12A, Hemapala Munidasa Mawatha, Welimada |
| 434 | Wellawaya | 055-2274480 | boc434@boc.lk | Tissamaharama Road, Wellawaya |

## UVA PROVINCE

| Extension Office | Telephone | Postal Address |
|---|---|---|
| Badulla City Office | 055-2229580 | 1, Bandarawela Road , Badulla |
| Badulla Kachcheri | 055-2225475 | Kachcheri Building, 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 |

## UVA PROVINCE

| Extension Office | Telephone | Postal Address |
|---|---|---|
| Keppetipola | 057-2280043 | Timber Corp. Junction, N'Eliya Road, Keppetipola |
| Monaragala Kachcheri | | Kachcheri Building, Monaragala |
| Moneragala Town ○ | 055-2277270 | 94/2, Kumaradola Road, Monaragala |
| Okkampitiya | 055-2272395 | Weeragashandiya, Okkampitiya |
| Pelawatta Sugar Industries Complex ● | 055-3559825 | Pellawatta Sugar Ind. Complex, Pelawatta |

| UVA PROVINCE | |
|---|---|
| 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 |

| UVA PROVINCE | |
|---|---|
| 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 |

| UVA PROVINCE | |
|---|---|
| ATMs | No. |
| Pelawatta Sugar Industries Complex Extension Office | 1 |
| Siyambalanduwa Branch | 1 |
| Thanamalwila Branch | 1 |
| Welimada Branch | 1 |
| Wellawaya Branch | 1 |
| | 21 |

## 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 | 011-2488770 | 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 ● | 011-2357573 | boc672@boc.lk | 2nd Floor , Central Super Market, Colombo 11. |
| 001 | City Office | 011-2438455 | 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 | 011-2449646 | boc060@boc.lk | 85, York Street, Colombo 1 |
| 045 | Gampaha ● | 033-2234403 | 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 |
| 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 |
| 088 | Mirigama ● | 033-2276844 | boc088@boc.lk | 12, Amaratunga Mawatha, Mirigama |

Holiday Banking Services

● Saturday ■ Sunday ○ Saturday & Sunday

# BoC Service Points

## WESTERN PROVINCE NORTH

| Branch Code | Name of Branch | Telephone | E-Mail Address | Postal Address |
|---|---|---|---|---|
| 762 | Narahenpita | 011-2368514 | boc762@boc.lk | 540, Thimbirigasyaya Road, Narahenpita |
| 018 | Negombo ● | 031-2224711 | 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 | 011-2930397 | boc042@boc.lk | 42, Negombo Road, Peliyagoda |
| 681 | Personal ⊙ | 011-2446821 | boc681@boc.lk | Bank of Ceylon Head Office, "BOC Squre" No. 1, Bank of Ceylon Mawatha, Colombo 01 |
| 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 ● | 011-2932280 | 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 |

## WESTERN PROVINCE NORTH

| Extension Office | Telephone | Postal Address |
|---|---|---|
| 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. | 011-2295214 | 487, Negombo Road, Katuwellegama |
| Delgoda | 011-2402970 | 351/H/5, New Kandy Road, Delgoda |
| Demanhandiya | 031-2228730 | 370, Westerciten Farm , Divulapitiya Rd, Demanhandiya |
| Enderamulla | 011-2937240 | 117, Gongithota Road, Enderamulla ,Wattala |

## WESTERN PROVINCE NORTH

| Extension Office | Telephone | Postal Address |
|---|---|---|
| Gampaha Kachcheri | 033-2220868 | Kachcheri Building Gampaha |
| Ganemulla | 033-2264888 | 378 C, Kadawatha Road, Ganemulla |
| Gothatuwa New Town | 011-5344593 | 19, Welikada Road, Gothatuwa |
| Katana | 031-2228353 | 305/J/1, Mirigama Road,Mahahunupitiya |
| Makola | 011-2964401 | 177/1, Makola South , Makola |
| 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 |
| Weliweriya | 033-2255444 | 342, New Kandy Road , Weliweriya |

| WESTERN PROVINCE NORTH | |
|---|---|
| ATMs | No. |
| Agio Tobacco Co., BEPZ, Malwana | 1 |
| Andiambalama Branch | 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 |
| Divulapitiya Branch | 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 |
| Katunayaka Air Port | 1 |

| WESTERN PROVINCE NORTH | |
|---|---|
| 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 |
| Maradana Branch | 1 |
| Minuwangoda Branch | 2 |
| Mirigama Branch | 1 |
| Narahenpita Economic Center | 1 |
| Negombo Branch | 2 |
| Negombo City | 1 |
| Nittambuwa Branch | 2 |
| Peliyagoda Branch | 1 |
| Personal Branch | 3 |
| Petrolium Corporation, Kolonnawa | 1 |
| Presidential Secretariat | 1 |

| WESTERN PROVINCE NORTH | |
|---|---|
| ATMs | No. |
| Pugoda Branch | 1 |
| Ragama Branch | 1 |
| Rathdolugama 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 Garments, Sapugaskanda | 1 |
| Veyangoda Branch | 1 |
| Wattala Branch | 2 |
| Welisara Branch | 1 |
| World Trade Centre, Colombo 1 | 1 |
| Yakkala Branch | 1 |
| | 70 |

## WESTERN PROVINCE SOUTH

| Branch Code | Name of Branch | Telephone | E-Mail Address | Postal Address |
|---|---|---|---|---|
| 657 | Agalawatta ● | 034-2243980 | boc657@boc.lk | 5, Kalutara Road, Agalawatta |
| 680 | Aluthgama ● | 034-2271413 | boc680@boc.lk | 267, Galle Road, 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 ■ | 034-4912984 | 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 |

Holiday Banking Services

● Saturday ■ Sunday ○ Saturday & Sunday ★ Night Banking ⊙ 365 Days Banking

# BoC Service Points

## WESTERN PROVINCE SOUTH

| Branch Code | Name of Branch | Telephone | E-Mail Address | Postal Address |
|---|---|---|---|---|
| 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 ■ | 034-2269580 | 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 ● | 011-2645127 | boc061@boc.lk | 707, Galle Road, Moratuwa |
| 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 |

## 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 |

## WESTERN PROVINCE SOUTH

| Extension Office | Telephone | Postal Address |
|---|---|---|
| Bodyline (Pvt) Ltd. | 034-4285500 | Bodyline (Pvt) Ltd., Ratnapura Road, Gurugoda, Horana |
| Bombuwala | 034-2289824 | Temple Road, Mankada, Bombuwala |
| Boralasgamuwa | 011-2518478 | 8, Colombo Road, Boralasgamuwa |

## WESTERN PROVINCE SOUTH

| Extension Office | Telephone | Postal Address |
|---|---|---|
| Gonapola | 034-2257550 | 643, Colombo Road, Palannaruwa. Gonapola |
| Immigration & Emigration Office | 011-3071267 | 45, Ananda Rajakaruna Mawatha, Colombo 10. |
| Kalutara Kachcheri | 034-2222286 | Kachcheri Branch, Divisional Secretariat, 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 | 011-2632028 | Lanka Hospital Premises, No.578, Elvitigala Mawatha, Narahenpita. |
| Lotteries Board | 011-4824841 | 356, Dr.Colvin R De Silva Mawatha, Union Place, Colombo 2 |

## WESTERN PROVINCE SOUTH

| Extension Office | Telephone | Postal Address |
|---|---|---|
| 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 | 242, De Zoysa Road, Moratumulla, Moratuwa |
| National Institute of Education | 011-7601601 | 21, Highlevel Road, Maharagama |
| Pita Kotte | 011-2820311 | 130C, Pagoda Road, Nugegoda |
| 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. |

## WESTERN PROVINCE SOUTH

| ATMs | No. |
|---|---|
| Agalawatte Branch | 1 |
| Aluthgama Branch | 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 |
| Bombuwala Extension Office | 1 |
| Body Line Garments Extension Office | 1 |

## WESTERN PROVINCE SOUTH

| ATMs | No. |
|---|---|
| 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 |
| Hanwella Branch | 1 |
| Hydramani Garments - Kahathuduwa | 1 |

## WESTERN PROVINCE SOUTH

| ATMs | No. |
|---|---|
| Homagama Branch | 2 |
| Horana Branch | 2 |
| Ingiriya Branch | 1 |
| Independence Square Branch | 1 |
| Isurupaya | 1 |
| Kaduwela Branch | 1 |
| Kalubowila, Hospital | 1 |
| Kalutara Branch | 1 |
| Kalutara- Kachcheri Extension Office | 1 |
| Katubedda Branch | 1 |
| Katubedda-University Extension Office | 1 |
| Kesbewa Extension Office | 1 |
| Keselwatte Extension Office | 1 |

Holiday Banking Services

● Saturday ■ Sunday ★ Night Banking

# BoC Service Points

| WESTERN PROVINCE SOUTH | |
|---|---|
| **ATMs** | **No.** |
| 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, Cancer Hospital | 1 |
| Maharagama Branch | 2 |
| Malabe Branch | 1 |
| Mattegoda Extension Office | 1 |
| Matugama Branch | 1 |
| Milagiriya Branch | 1 |
| Moratumulla Extension Office | 1 |

| WESTERN PROVINCE SOUTH | |
|---|---|
| **ATMs** | **No.** |
| Moratuwa Branch | 1 |
| Mount Lavinia Branch | 1 |
| Nugegoda Branch | 3 |
| Odel, Alexandra Place | 1 |
| Padukka Branch | 1 |
| Panadura Branch | 1 |
| Panadura City Branch | 1 |
| Parliament Branch | 1 |
| Piliyandala Branch | 1 |
| Pitakotte Extension Office | 1 |
| Rajagiriya Branch | 1 |
| Ratmalana Branch | 1 |
| Sintesi Garments, Ranala | 1 |
| SLIIT Malabe | 1 |

| WESTERN PROVINCE SOUTH | |
|---|---|
| **ATMs** | **No.** |
| 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 |
| | 80 |

## 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 | 011-2394584 | | 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, No. 01, "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. |
| Jawatta Inland Revenue | 011-5657162 | Inland Revenue Dept, No. 80, Jawatte Road, Colombo 5. |
| Canal Yard - S L P A | 011-2483526 | Sri Lanka Ports Authority , Canal Yard, Colombo 1. |
| Permit Office - S L P A Hunters | 011-2483542 | Security Division, Sri Lanka Ports Authority , Colombo 1. |

## CORPORATE BRANCHES

| Extension Office | Telephone | Postal Address |
|---|---|---|
| Sri Lanka Bureau of Foreign Employment | 011-2864147 | 234, Denzil Kobbekaduwa Mawatha, Koswatta, Battaramulla |
| Ware House SriLanka Ports Authority | 011-2942620 | Warehouse, New Nuge Road, Peliyagoda |
| Pettah Kachcheri | 011-2434478-50 | Kachcheri Building, Pettah |
| Ceylon Shipping Lines Ltd. | 011-2445268 | 450, D R Wijewardena Mawatha, Colombo 10 |

## CORPORATE BRANCHES

| Extension Office | Telephone | Postal Address |
|---|---|---|
| Customs Imports Unit (Long Room) | 011-2436663 | Sri Lanka Customs, Chaitya Road, Colombo 1 |
| Inland Revenue Department | 011-2337367 | Inland Revenue Building, Sir Chittampalam A Gardiner Mawatha, Colombo 2 |
| Health Ministry Suvasiripaya | 011-2681361 | Ministry of Health, 385, Baddegama Wimalawansa Mawatha, Colombo 10 |
| Laksiriseva (Pvt) Ltd. | 011-2917729-ext730 | 66, New Nuge Road, Peliyagoda |
| Trico Maritime (Pvt) Ltd. | 011-4610977 | 50, K Cyril C Perera Mawatha, Colombo 13 |

## CORPORATE BRANCHES

| ATMs | No. |
|---|---|
| Sri Lanka Air Force Head Quarters, Colombo 2 | 1 |
| Bellagio Club, Duplication Road, Colombo 3 | 1 |
| Ceylon Dockyard Ltd | 1 |
| Sri Lanka Bureau of Foreign Employment | 1 |
| Metropolitan Branch | 1 |
| MGM Club, Galle Road, Bambalapitiya | 1 |
| Mobile Banking Unit | 1 |
| Pensions Department-Maligawatte | 1 |
| Pettah Branch | 2 |
| Sri Lanka Ports Authority, Jaya Terminal | 1 |
| Health Ministry Suvasiripaya | 1 |
| | 12 |

## OVERSEAS BRANCHES

| Branch Code | Name of Branch | Telephone | SWIFT CODE | E-Mail Address | Postal Address |
|---|---|---|---|---|---|
| 758 | Chennai | 009144-26423501<br>009144-26420972 | BCEYIN5M | ceybank@vsnl.com | No. 1090, Poonamallee High Road, Chennai 600 084, India. |
| 632 | Male | 00960-3323045<br>00960-3323046 | BCEYMVMV | bcmale@dhivehinet.net.mv | "Aage", 12, Boduthakurufaanu, Magu, Henveiru, Male. 20094, Republic of Maldives |

## OVERSEAS BRANCHES

| ATMs | No. |
|---|---|
| Male | 2 |

# 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 and a licensed commercial bank 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 2449401
Bank Code : 7010
Telex : 21331 BOCST CE
SWIFT Code : BCEYLKLX
E-mail : boc@boc.lk
Website : www.boc.lk

**CALL CENTRE**
Tel : +94 11 2204444 (16 lines)
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 and December 2011/December 2016 series with fixed & floating interest rates of the Bank are listed on the Colombo Stock Exchange.

**CREDIT RATINGS**
National Long-term rating :
'AA+(lka)' Outlook Stable

Subordinated debentures :
'AA(lka)'

Both by
Fitch Ratings Lanka Limited
Level 15-04, East Tower, World Trade Centre
Colombo 01, Sri Lanka
Tel : +94 11 2541900
Facsimile : +94 11 2541903
Website : www.fitchratings.lk

**LAWYERS**
Mr. K Gamage Jinadasa
Chief Legal Officer of Bank of Ceylon and his assistants
Tel : +94 11 2445813
Facsimile : +94 11 2321167
E-mail : clo@boc.lk

**COMPLIANCE OFFICER**
Mr. M L J Fernando (Assistant General Manager - Risk Management & Compliance)
Tel : + 94 11 2321169
Facsimile : + 94 11 2439546
E-mail : agmrisk@boc.lk

**AUDITOR**
The Auditor General
The Auditor General's Department
Independence Square
Colombo 07, Sri Lanka
Tel : + 94 11 2691151
Facsimile : + 94 11 2697451
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**
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 2542167,
+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 : marinap@mbslbank.com

**BOARD OF DIRECTORS**
Dr. Gamini Wickramasinghe (Chairman)
Mr. S R Attygalle
Mr. Raju Sivaraman
Ms. Nalini Abeywardene
Mr. Chandrasiri de Silva
Mr. K L Hewage
Mr. V Kanagasabapathy
(Alternate Director to Mr.S R Attygalle)

**SECRETARY TO THE BOARD**
Ms. Janaki Senanayake Siriwardane

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

**INTEGRATED RISK MANAGEMENT COMMITTEE**
Mr. V Kanagasabapathy (Chairman)
(Alternate Director to Mr.S R Attygalle)
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 2386854
Facsimile : +94 11 2448203
E-mail : dgmfp@boc.lk

BANK OF CEYLON

Bankers to the Nation

**Bank of Ceylon**
"BOC Square",
No.01,
Bank of Ceylon Mawatha
Colombo 01, Sri Lanka.

This report has been produced by Emagewise (Pvt) Limited, a Certified Carbon Neutral Company

CERTIFIED CARBON NEUTRAL Company

CarbonNeutral.com

Designed & Produced by emagewise
Photography by Taprobane Street and Ashane Bernard
Digital Plates & printing by Aitken Spence Printing & Packaging (Pvt) Ltd